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Jumbo Group Parleys' Failure Stirs Keen Interest In NALU's Next Move

By ROBERT B. MITCHELL

NEW YORK—What is National Assn. of Life Underwriters going to do about Jumbo group, now that its group committee has formally given up as hopeless the effort to get inter-company agreement on a formula acceptable to NALU?

D. B. Fluegelman

Easily the biggest question is whether NALU will change its approach from the state to the federal legislative arena, as it has already indicated it might do if efforts to agree with the group-writing companies on state legislation proved fruitless.

This would take the form of seeking restrictions on the present tax-sheltered status of jumbo group—or perhaps even of all group. One approach that has been talked about, and even included in the group committee's draft report for the 1959 annual meeting of NALU, is the denial of tax incentives on group coverage of more than $25,000 per life. This would mean that the premium paid on account of coverage in excess of $25,000 would be regarded as taxable income to the certificate holder.

Another federal tax approach would be to deny group insurance tax shelter to any plan in which owners or high-salaried executives were given more coverage—in proportion to salary or length of service—than the general run of employes. The Internal Revenue Service is known to be already looking into this angle, entirely aside from any action NALU might take.

NALU would not be likely to seek federal legislation that would remove all of group life's present tax shelter, since the association has no objection to keeping the shelter for limits along the lines of the 20/40 model group bill, or even somewhat higher. But it is recognized that if the drive is once set in motion against jumbo group, it may not be possible to limit it just to the big coverages.

For that reason, if for no other, there will doubtless be some among NALU's leaders who will be reluctant to stir up the Internal Revenue Service and the House ways and means committee against jumbo group.

Not Ruled Out

On the other hand, the NALU group committee chairman, David B. Fluegelman, general agent here for Connecticut Mutual Life, certainly did not rule out the possibility of seeking federal legislation when he issued the statement, reported in last week's issue,

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Insurance Teachers Elect Hedges; Gregg Moves Up To 1st V-P

No Wright Award This Year; Government's Myers Predicts Many Social Security Changes

WASHINGTON—American Assn. of University Teachers of Insurance met here early this week and elected J. Edward Hedges, Indiana University, president. Some 500 were present.

Davis W. Gregg, president American College, moved up to 1st vice-president; John S. Bickley, University of Texas and editor of the Journal of Insurance, became 2nd vice-president, and Joseph F. Trosper, Southern Methodist University, secretary-treasurer.

C. Arthur Williams Jr., University of Minnesota, was elected an executive committee active member, and George D. Haskell, education director American Mutual Insurance Alliance, executive committee associate member.

The Elizur Wright award committee reported that no book with a 1958 copyright was judged to meet the award requirements. Consequently, no award was made this year.

Although some subjects under dis-

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ALC President Sees 1960 As Good Year For Life Business

The year 1960 should be one of unusual opportunity in the life insurance business, according to J. C. Higdon, president of American Life Convention. Mr. Higdon, who is also president of Business Men's Assurance, said, "National income is at an all time high. All predictions are for continuation of record income. The number of life insurance policies in force and the number of policyowners is at an all time high, but there are still vast unfulfilled needs for insurance protection for our people. Our rapidly increasing population with higher incomes means more life insurance is required."

Presently the average life insurance per family is the largest in our country's history but it is the equivalent of only 19 months of the average disposable income per family, according to Mr. Higdon. In order to make the financial security of the family comparable to the standard of living, family insurance should be increased substantially, he said.

Insurance companies are better able today to fulfill the needs and give better service to the ever expanding population. The agents are better trained than ever before, as evidenced by the more than 600 CLU designations awarded in 1959 and the 5,376 persons completing the LUTC courses, he noted.

"Companies are constantly developing new policy features. Presently the insurance plans available provide the widest range and greatest combi-

(CONTINUED ON PAGE 19)

Metropolitan Gives Data On New Policy Forms, Agents' Pay

NEW YORK—Metropolitan Life has made a sweeping revision of its policy portfolio—one of the most complete changes, the company believes, in the history of the life insurance industry.

These were briefly described in last week's issue.

Two new series of policies—the Tower and the Metropolitan—are being introduced Jan. 4. These are basic, simplified, ordinary life policies written in layman's language.

To make the basic policies more adaptable to various needs of the public, a number of new benefits and flexible features have been added.

As an example, life plans offered by

(CONTINUED ON PAGE 19)

Michigan Cities Giving Blue Cross Second Look

Muskegon, Mich., is switching its hospitalization insurance for municipal employes from Blue Cross to Great-West Life, one of 10 bidders for the business. The city's decision to shop for bids from a number of companies follows similar action taken by Grand Rapids.

The Great-West bid, it was stated, will reduce premium cost to the city from approximately $29.000 to $25,500. Blue Cross coverage during the coming year would have cost $32,000, it was estimated.

$253.5 Million In 1960 Dividends Going To Ex-GIs

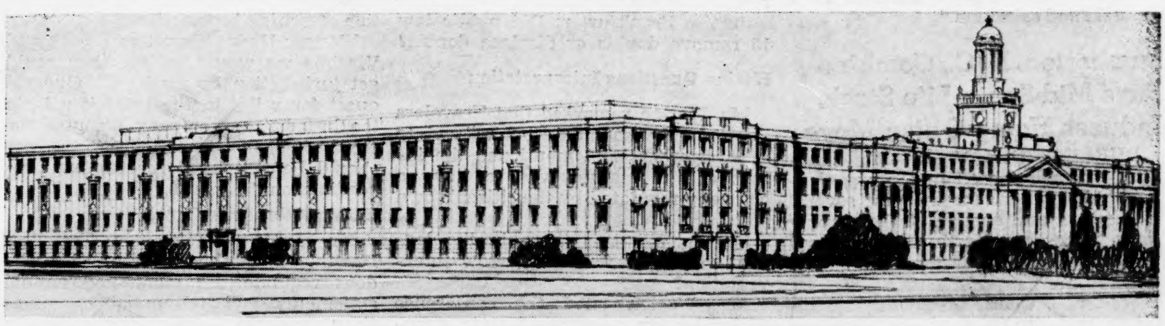
More than 5 million veterans holding GI life insurance will receive regular annual dividends totaling $253.5 million in 1960, according to Summer G. Whittier, administrator of veterans affairs.

Of the total, $234 million will go to about 4.9 million National Service Life policyholders and some $19.5 million to 273,000 U.S. Government Life policyholders. Both term and permanent plan policyholders will receive dividends.

Farmers New World Life To Pay 1st Stock Dividend

Farmers New World Life will pay its first stock dividend Jan. 29 to stock of record Dec. 31, the amount being 5%. The company has 200,000 shares of $10 par stock and has $315 million of insurance in force. It is owned by Farmers insurance group of Los Angeles.

Addition To Massachusetts Mutual's Home Office Building



Artist's sketch of Massachusetts Mutual's home office as it will look when construction is completed on a multi-million dollar, four story addition. Construction is scheduled to begin in March and the structure should be finished in early 1963. The addition, which appears in the foreground and left above, will be located east of the present home office and will have an area approximately three-quarters that of the existing building. The company plans to have two-thirds of the new wing completed for immediate occupancy, and will leave the interior of the remaining third unfinished until needed for future expansion.

XUM

No. Amer. Accident Changes Name To Reflect Life Emphasis

North American Accident of Chicago on Jan. 1 changed its name to North American Co. for Life, Accident & Health Insurance. At the same time, the company withdrew from New York and there was established North American Ins. Co. of New York as an affiliate. Both North American Co. for Life & A.&H. and North American Accident of New York are owned by CIT Financial Corp.

Officers of North American Co. will direct the business of the New York affiliate.

North American Co. is putting a strong emphasis on life. It now has more than $620 million in force.

N. Y. City Agents Urge Companies To End Dual Licenses

NEW YORK—New York City Life Underwriters Assn. has by resolution of its board of directors asked all life companies in the state "not to continue under contract any agent and/or broker who is also licensed as a mutual fund salesman."

This request is preceded by a statement that it is the board's belief that the question of dual licensing should be resolved by each life company through its contracting powers.

Differs From Syracuse Method

While nothing is said about it in the resolution, by placing the responsibility on the insurers for stamping out dual licensing the association has decided against another course it was considering—the denial of membership to agents licensed as mutual fund salesmen and to general agents and managers having dual-licensed agents in their offices. This plan was followed in Syracuse and there has been some agitation for it in the New York City association.

The board was careful to avoid criticizing mutual funds per se, stating that "this resolution is not intended to reflect in any degree or manner upon mutual funds, their sale or their purchase, but is intended only to apply to the sale of life insurance and mutual funds by the same person."

The resolution also "commends the action already taken by those life insurance companies which have already decided neither to contract nor to continue under contract any agent or broker who is also licensed as a mutual fund salesman."

Lumberton, N. C., Combine Buys Mid-South Life Stock, Induces Home Office Move

BURLINGTON, N. C.—Mid-South Life, which has been in the organizational stages here for the past several weeks, has sold enough stock to apply for a license in North Carolina, and will move its headquarters to Lumberton.

Walter B. Clark, president, said officers and directors of the company agreed to the proposal to move after some 30 Lumberton business men showed an interest in having the company in their city, and purchased 20,000 shares of Mid-South stock for $200,000 with the provision that the move would be made.

$80 Offer For Stock Of Old Line Life Opposed By $70 Rhodes Group

An offer of another unnamed insurer to acquire Old Line Life of Milwaukee in an exchange of stock which would peg Old Line at $80 a share has been made to the present management, but probably will not make much headway because of opposition by a group of stockholders headed by E. C. Rhodes of Aberdeen, S. D., that is seeking control of Old Line.

It was announced last week that J. H. Daggett, chairman, and another director of Old Line had resigned and offered the unvacated seats to Mr. Rhodes' group. After the resignations, however, the Rhodes group rejected the seats.

Mr. Rhodes, who has charged Old Line Life management with poor results and is seeking to replace the entire top management, has been buying Old Line stock at $70 and claims to own or control 40% of the 100,000 outstanding shares.

The Rhodes group opposes the offer from the unnamed insurer to acquire Old Line at $80 because Mr. Rhodes wants to keep the management and

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1960s Can Enhance Or Hobble Variable Annuity, Says Greenough

W. C. Greenough

The variable annuity can be hobbled or enhanced during the next decade according to the quality of leadership responsible for its progress, said President William C. Greenough of Teachers Insurance & Annuity and College Retirement Equities Fund in his paper at the annual meeting of American Assn. of University Teachers of Insurance in Washington. Following is a slightly abridged version of his paper.

The development of variable annuities has been a thing of the 1950s. As we enter the coming decade we find that variable annuities continue to be a hotly debated subject, here and abroad, in the insurance and investment worlds, and to some extent by the general public. The Supreme Court of the United States has spoken out o[...] this subject and variable annuiti[...] may be regulated by two differe[...] levels of government and two differe[...] types of regulations.

A major life insurance company [...] tooling up to offer variable annuiti[...] to the general public; three small spe[...]cialty companies are already engage[...] in selling variable annuities and oth[...] projects are in the making. Some 6[...] or 70 trusteed plans providing variab[...] annuities have been introduced—cov[...]ering such diverse groups as airli[...] pilots, public utility employes rangin[...] from Long Island Lighting to Tennes[...]see Valley Authority, Boeing Airpla[...] Co., Chemstrand, Warner-Lambe[...] Pharmaceutical Co., and the Nationa[...] Assn. of Manufacturers. The state o[...] Wisconsin is operating variable an[...]nuity plans available to all teache[...] and other public employes, and th[...] 50th state is interested in setting u[...] such a plan.

Thus the decade of the '60s open[...] out to the variable annuity a numbe[...]

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Observer Encouraged By Court's Queries In Travelers Health Case

Some close questioning of the government's position in the Travelers Health case by several justices of the U. S. Supreme Court would indicate that the case against government interference is going well, according to Orville F. Grahame, vice-president and general counsel of Paul Revere Life and Massachusetts Protective.

Mr. Grahame, who has been an observer at court, reports the flavor of the argument, but not verbatim, in the memo below. Cecil C. Fraizer, Lincoln, Neb., lawyer and special staff counsel of Health Insurance Assn., argued for Travelers Health. Charles H. Weston argued the government case.

Reactions at arguments can be deceptive. However, several justices indicated criticism of the government's position and they did not question Mr. Fraizer.

Mr. Weston explained this was a mail order case and not like National Casualty. The suggestion that this might make a difference by Mr. Justice Black at the argument on National Casualty was not followed up. I got the impression that the messages in the briefs had gotten through.

Mr. Weston spoke of PL 15 passed to remove doubts after SEUA.

Justice Frankfurter: Did public law 15 remove doubts or displace doubts?

Harlan Questions Interpretation

Mr. Weston remarked that Travelers Health only solicited "white" white collar workers and mentioned the intent of the statute was to have a company regulated by the citizen's own state.

Harlan: What is there in the legislative history for this narrow interpretation?

Mr. Weston cited the conference discussion on preserving state regulation. He mentioned difficulties if the citizen was forced to go elsewhere, as suggested by Travelers Health vs Virginia and the McGee Case.

Harlan: Can Nebraska regulate in this field its domestic companies constitutionally?

Weston: I am not arguing unconstitutionality but I am suggesting certain problems.

Whittaker: Are you saying regulation must be efficient, sufficient, adequate? Is that any of the commission's business?

Mr. Weston again mentioned congressional intent.

Harlan: Aren't you saying regulation must be effective, another approach to your same argument, repudiated in National Casualty?

Douglas: You are following the Gwynne statement?

Weston: Yes. The language is broad, but yes.

Whittaker: Do you subscribe to the Gwynne statement? (Reads it.) It just doesn't make any sense to me.

Weston: The point on regulation by other states is mentioned here for the first time. Even so, regulation is not claimed, only that such states are empowered.

Whittaker: If a judgment was secured in the courts of Missouri, could it not be enforced in Nebraska?

Weston: There would be questions of whether the state official was authorized to go into Nebraska, and related problems.

Harlan: There might be the question of getting jurisdiction.

Weston: Under Travelers Health and Virginia we would believe they could get jurisdiction by mail. . . . Our request for relief in the brief is a little too broad. The company disputes the conclusion of deception. The case should be remanded for further proceedings on the merits.

Shows Nebraska's Capabilities

Mr. Fraizer spoke for Travelers Health. He emphasized that Nebraska does regulate. He mentioned annual statements and tri-annual examinations, and the advertising code. In 1949, Nebraska companies were required to keep files of advertising. Mr. Fraizer mentioned that he had lived with this case for several years and had been insurance commissioner in Nebraska. He referred to the complex of state regulations.

Ways-Means Delay Seen As Aid To Financed Insurance

WASHINGTON—The statement b[...] Chairman Mills of the House ways an[...] means committee that it will be som[...] time in 1961 before a tax revision pro[...]posal can be submitted to Congress i[...] regarded as a boon though not a[...] unqualified one, by those interested i[...] preserving the interest deduction fo[...] financed life insurance plans.

A bulletin from Cooper & Silverstein, counsel and executive director of Assn. of Advanced Life Underwrit[...]ers, to the AALU membership says[...] after noting Mr. Mills' statement:

Eases Immediate Pressure

"This announcement alleviates, t[...] some extent, the pressures resultin[...] from the specter of immediate legisla[...]tion. However, it does not mean tha[...] the interest deduction problem wi[...] disappear during the period of study[...] There will be continual proposals an[...] counter-proposals submitted to an[...] among the various groups that wi[...] be examining possible legislativ[...] changes. If AALU can nip in the bu[...] any adverse proposal re the interes[...] deduction, the situation that will aris[...] when legislative proposals are finall[...] made, will be that much less tens[...]

"In short, Mr. Mills' statement doe[...] not mean that the problem has disap[...]peared; it means rather that the focu[...] of the struggle has been transferre[...] from the public forum of Congress t[...] the private forum of administrativ[...] deliberations. Thus, AALU will fin[...] itself in a more critical period sinc[...] the safeguard of Congressional re[...]sponse to publicity will not be present."

A&H Men Meet At Saginaw

Tri-City (Saginaw, Bay City, Midland) A&H Assn. heard John Hurth[...] public relations director of the Michigan department, at the Decembe[...] meeting at Saginaw. He described th[...] department's functions and emphasized the vast scope of the busines[...] and the importance of adequate supervision at the state level.

Describes Variety Of Life Reinsurer Services, Influence In Many Areas

By BURTT D. DUTCHER,
Assistant Vice-President,
North American Re

The past year saw steady progress by life reinsurers in the U.S. Admittedly, it is difficult to get accurate data on totals of life reinsurance, since most reinsurers do not give out such information. However, an informed guess would be that the volume has kept pace with the growth of ordinary business during 1959, and in some cases has even increased faster than the direct business.

The mortality, on which life reinsurers depend so heavily for their success, has been within normal limits. As far as expenses are concerned, most reinsurers would appear to be striving to develop methods which would reduce costs to the direct company, as well as to themselves. It is reasonable to believe that continued progress will be made in this direction.

Competition is always keen among reinsurers, and indications are that it will become more accentuated with the recent announcement made by three companies, with strong backing, of their entry into this field.

Reinsurance Considerations

In 1959 some progress was made on the problem of fitting the type of reinsurance to the needs of a particular direct company. There are three basic forms of life reinsurance—yearly renewable term, full coinsurance, and modified coinsurance—each with its particular advantages and disadvantages. In some direct companies, the type of reinsurance used was selected many years ago, and there is a natural reluctance to change. However, I believe the problem is now being examined as to whether the particular type of reinsurance is in line with modern conditions and is most suitable from the point of view of the direct company.

It is interesting to note that reinsurance embraces the smallest of companies as well as the largest. Retentions, of course, vary by company and also within any particular company by plan, but in some cases it is not only the retention factor which leads a company to reinsurance. There are other factors—fringe benefits of reinsurance, which certain companies believe are of even greater value than reinsurance itself. Reinsurers realize that their own profit and success depend on the basic question of whether the direct company grows and is profitable. As a result, the reinsurers are attempting whenever possible to help the direct companies. The most obvious field is the selection of risks.

A sound selection of risks is the basis for future profits in an otherwise well managed life company. Therefore, it makes good sense to have well trained underwriters reviewing new applications.

Educational Features

There is probably no better school than a tour of duty for a time within a reinsurance company, and most reinsurers are willing to lend this helping hand. This opportunity to review at first hand the many complicated cases seen daily by a reinsurer, is an education in itself. Other training techniques include the individualized approach, which tailors instruction to a particular need, and seminars, based on the needs of the class.

Probably of equal value to the education absorbed is the formation of long lasting acquaintances in a reinsurance company. The mutual understandings gained by these actual meetings do much later on to help in resolving particularly difficult underwriting cases.

Applications submitted to a reinsurer on a facultative basis require that the reinsurer underwrite even the smallest case. This procedure has often been the backbone of an underwriter's training. He gains assurance. He knows that he can compare his opinion regarding the case with the opinions of others who are considered experts in the field, and he can obtain, if he desires, an analysis of any particular case as to the reason for a decision.

Even well informed underwriters in a direct company like to use a reinsurer, because in certain unusual underwriting situations the reinsurer is very likely to strengthen their opinion by asking advice of leading medical consultants at no cost to the ceding company.

Advantages To Agents

The message of life insurance has reached most people in this country. They are becoming aware of the many companies in the business and also are beginning to learn that there may be an appreciable difference in rates and types of policies. It is becoming more and more usual for prospective applicants to do some shopping around before they purchase a policy.

An agent is more likely to stay with a company which furnishes him with competitive policies, rates, underwriting rules, and other facilities that he needs in selling his particular market.

A reinsurer plays an extremely important role by supporting a ceding company and helping to place agents in a competitive position in most any field.

Reinsurance allows an agent to compete on any case, regardless of size. This is basic in reinsurance, except that some reinsurers might be in a position to accept larger amounts more readily than others, due to certain retrocession agreements. A reinsurer can help extend a direct writer's coverage to include substandard business. A reinsurer can aid in training of the agency staff and can help a company add new lines to its portfolio.

Substandard Area

The insurance business deserves praise for the courage it has shown in recent years in writing a higher percentage of substandard risks. This has widened the market for agents, and at the same time has filled a most important social need. This market could not have been covered by so many of the companies without the aid of the reinsurer.

The agent must secure a proper rating for his substandard prospect if he is to fulfill his moral obligation and also be competitive. Reinsurers have been studying substandard risks for quite some time, some more extensively on one type of risk than another. Their experimental underwriting over recent years has strongly indicated that this business can be underwritten successfully. Their willingness to accept such risks and to aid in underwriting has been a most important contribution.

Reinsurers sometimes will accept the entire risk on a case, if this is the desire of the direct writing company. This places the ceding company in a position where it can satisfy its agents, and at the same time not disturb its own underwriting rules or possibly bring about a situation which might affect its surplus.

Beneficial Meetings

Recently there has been a trend by reinsurers to furnish education beyond the underwriting field. The new business of reinsurers is dependent upon the volume submitted by their ceding companies, and they have a stake in the sales efforts. Most all reinsurers, therefore, conduct agency seminars. In these meetings, the top sales executives of various life companies become acquainted with the latest sales

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Fidelity & Guaranty Names Top Officers; Brown Is Manager

At the first board meeting of Fidelit & Guaranty Life—wholly owned sub sidiary of U. S. F. & G. — Charles L. Phillips was named chairman; W. E. Pullen president; Stewart Brown vice-president and general manager and William R. Phelan secretary-treasurer. All are executives of the parent company, Mr. Phillips being chairman, Mr. Pullen president, Mr Brown assistant vice-president and ta counsel, and Mr. Phelan vice-presi dent-treasurer.

Stewart Brown

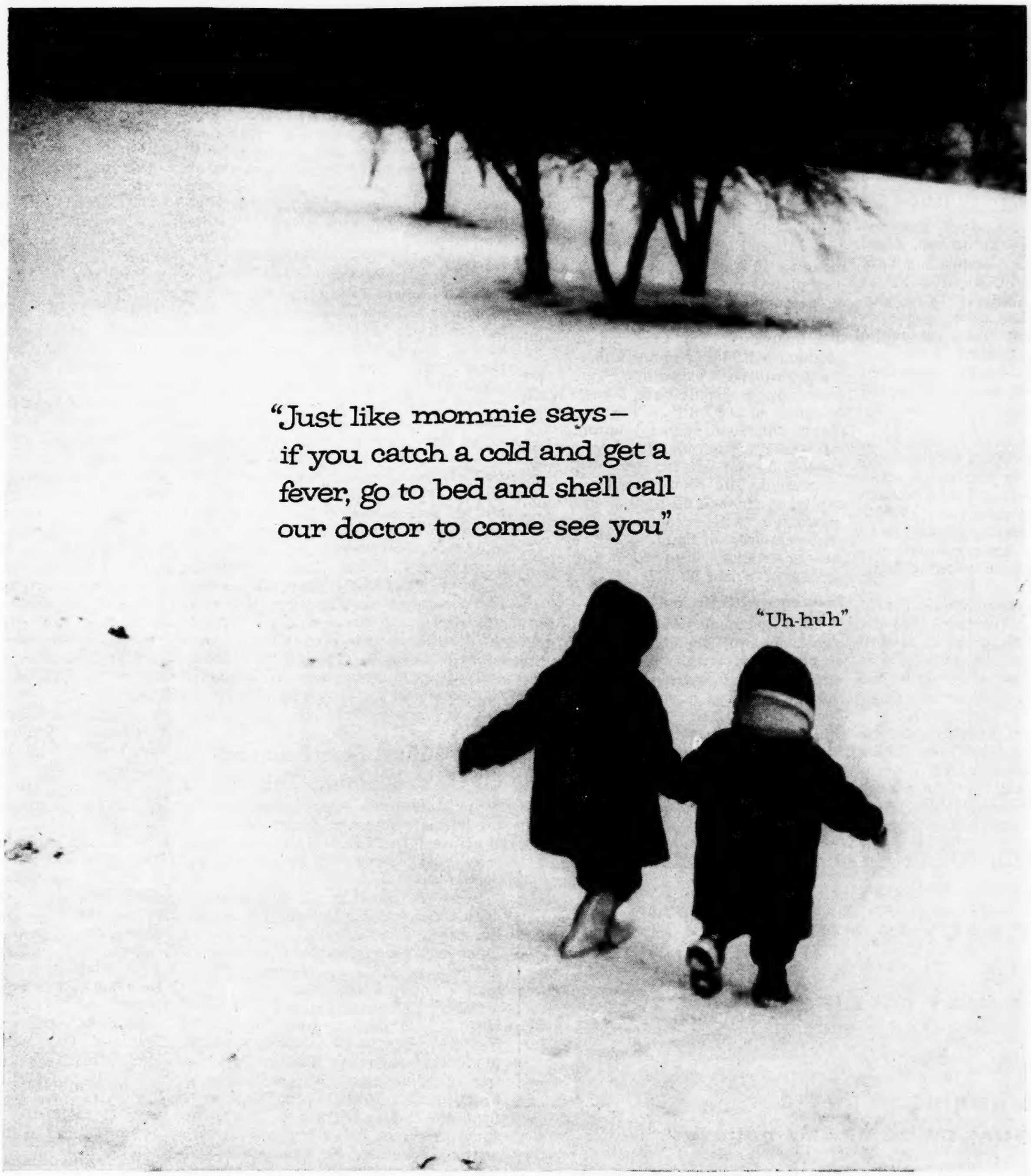
Mr. Brown, who will manage th life company, will continue in hi post with U.S.F.&G. He joined th company in 1935 after several year in private law practice in Baltimore Initially an attorney for the company, he rose to associate counsel and tax counsel, and in 1956 he wa named assistant vice-president.

Directors of the life company ar Fred G. Boyce, chairman of the Mercantile-Safe Deposit & Trust Co. o Baltimore; Charles H. Buck, presiden of Maryland Title Guarantee Co. Charles P. Crane, chairman of th Baltimore Gas & Electric Co.; Hoope S. Miles, chairman of Fidelity-Baltimore National Bank; S. Page Nelson chairman of the Savings Bank o Baltimore; Mr. Phillips and Mr. Pullen All directors are on the executive committee of U.S.F.&G.

The company was incorporated under Maryland law Dec. 16 with a capital of $1 million and paid in surplu of $9 million. Development objective will be announced after organizatio plans are complete. It is understood however, that activities will be completely integrated with those o U.S.F.&G. and that the company wil begin writing life, annuities and related lines in 1960.

Buys Land In Downtown Dallas

Southwestern Life has contracted t purchase more than two acres o downtown Dallas as the site for a future home office building. The site i located on the north side of Ros Avenue and runs from Akard to St Paul Streets. No definite plans fo building have been made.



WINTER WARNING! A cold with fever is a danger signal . . . often a warning of pneumonia, sinus and ear infections or other serious complications. Never take chances with a "feverish" cold. Call your doctor . . . don't depend on home remedies. His treatment, to be most effective, must be started promptly.

Metropolitan Life
INSURANCE COMPANY©
A MUTUAL COMPANY, 1 MADISON AVE., N.Y. 10, N.Y.

This advertisement is one of a continuing series sponsored by Metropolitan in the interest of our national health and welfare. It is appearing in two colors in publications with a total circulation in excess of 45,000,000 including Saturday Evening Post, Ladies' Home Journal, Good Housekeeping, Redbook, Reader's Digest, National Geographic, U.S. News, Look.

Thore Urges Realistic Attitude Toward Government Intervention In Some Areas

WASHINGTON—Although the life insurance business should oppose government expansion into areas where life insurance is clearly serving the public interest effectively, the business has a collateral responsibility to recognize that expanding government participation in business may be an inevitable consequence of our economic and social growth, Eugene M. Thore, vice-president and general counsel of Life Insurance Assn., told the annual meeting of American Assn. of University Teachers of Insurance.


Eugene M. Thore

The business will be serving the public best, he said, if there is realistic evaluation of such trends and quick adjustment to developments involving government activities.

Difficult Areas

Public reaction to life insurance will always depend on the quality of service, he said, and upon attitudes toward thrift and personal responsibility. He pointed out two general areas of potential difficulty—the international picture and the rapidly developing technological revolution.

"This calls for greater flexibility in our evaluation of government and the many social demands upon it. It will require dynamic voluntary insurance institutions to keep pace with the growing need for individual security," he said.

Mr. Thore termed encouraging the increasingly active interest being shown by businessmen in many areas of government, noting that the change in their attitude from one of relative indifference to a very active interest in Washington political affairs is readily understandable, because of the great expansion of the federal government into areas formerly left entirely to the free competition of private enterprise.

After raising questions as to possible dangers of more government attacks on individual initiative, the free economy, and voluntary institutions such as insurance, Mr. Thore said, "Admittedly, the future may well depend on how government activities are restrained and coordinated with the essential needs of a free economy. But preoccupation and concern with long-range questions such as these tend to obscure the need for a realistic and rational attitude on the part of business toward the part government may play in the years ahead.

"Although the growth of federal power will create many problems for life insurance, the next decade will produce a limitless opportunity to expand voluntary protection. Ten years from now we shall have a population in excess of 200 million. Their requirements for food, homes, automobiles, electronic devices and employment are prodigious and defy accurate estimates at present. The requirements for new capital to finance all of this additional production will exceed the financing requirements of any other era of America history with the possible exception of World War II.

Insurance Will Be Needed

"Technological advances, improved public health, social awareness and economic opportunity all augur for the best. And it is reasonable to assume that these great advances in material comforts and social responsibility will stimulate tremendously the growth of voluntary insurance. This will transpire because better living standards cannot be fully enjoyed without the peace of mind and personal financial security insurance provides.

"The two objectives Americans seek are both very practical and material—peace and progress. We are a practical and a materialistic nation. We shall undoubtedly work strenuously toward both goals at once.

A Paradox

"As a result of this dual drain on both our current energies and our reserves, we may be strongly tempted to yield in the less pragmatic areas of social welfare, thrift concepts, personal freedom and personal responsibility. Thus we have a paradox. We may be risking the ultimate benefits for which our society struggles, in order, we believe, to enhance and preserve those rights and benefits. Hence, the coming decade will probably require more application of caution and sound judgment than any previous era of American history.

No Easy Way

"There is no easy way out of this dilemma. No hard and fast policies can be laid down. Only the most general of ground rules can be developed, and these must stem from concepts of conservation. We must conserve to the extent possible personal freedom, initiative and responsibility and at the same time promote national security and an expansion of our economy.

"This is not a new philosophy to the insurance business. Its whole purpose and economic justification is the conservation of human and social values and the conservation of capital for economic expansion. Thus the business is going to have both opportunities and social and economic responsibility during the coming decade. It will have to do its utmost to inform, educate, persuade as never before—publicly, politically, legislatively and in terms of economic and social values," Mr. Thore said.

Nw Mutual Sets Program Of N. Y. Meeting This Week

Speakers have been announced for the annual eastern regional meeting of Northwestern Mutual Life Jan. 3-5 at New York. Some 500 agents are expected to attend.

President Donald C. Slichter will open the meeting and Robert E. Templin, director of agencies, will be the luncheon speaker on Tuesday. The final address will be delivered by Chairman Edmund Fitzgerald.

Other speakers will be Raymond C. Hurd, Syracuse; Donald W. Castle, Newark; Harold W. Baird, superintendent of agencies; Hugh G. Thompson Jr., Charleston, W. Va.; Aaron C. Finkbiner Jr., Philadelphia; Duncan H. Bull, Rochester; Marvin L. McCarthy, superintendent of advanced underwriting training; E. Benjamin Redfield Jr., Boston; and John E. Propis, Buffalo.

Also Jack E. Fine, Richmond, Va.; Francis B. Donovan, Peterborough, N. H.; William E. Lloyd, New York; Ferd B. Ensinger, Boston; Edwin K. Chapin, New York; Paul A. Wallace, Seattle; and Stephen A. Gillis, Utica.

An audio-visual presentation on insured savings by Harold W. Gardiner, superintendent of education and field training, will be followed by explanation of how the program has been used in their areas by Walter Mortensen, Brooklyn; Louis P. Masucci, Philadelphia; and Thomas J. Cardullo, Hartford. Guest speaker will be James H. McK. Quinn, headmaster of the Episcopal Academy at Philadelphia.

William F. Strobel, Los Angeles agent for General American Life, led all other agents in the sale of individual life during November.

Centennial Banquet Of N. Y. Department To Hear Rockefeller

Gov. Nelson Rockefeller will be the main speaker at the banquet commemorating the 100th anniversary of the founding of the New York department, Jan. 21, at the Waldorf-Astoria Hotel in New York. Superintendent Thacher will be toastmaster and will head the department's employe delegation.

Commissioner Hammel of Nevada, representing National Assn. of Insurance Commissioners, which he heads, and Frederic W. Ecker, chairman of Metropolitan Life, will also speak. Mr. Ecker will represent the entire insurance business—fire, marine, casualty and life.

Some 2,000 insurance executives and past and present public officials in the executive, legislative and judicial branches of state government are expected at the celebration. More than 1,000 dinner reservations have already been received. The insurance industry delegation will be made up of representatives from many of the 825 insurance companies doing business in the state and representing all fields of insurance licensed in the state.

A reception will precede the banquet.

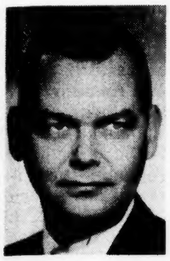
Plans for the banquet and related public relations activities are being handled by three subcommittees of insurance executives from all segments of the business in the state, functioning under the centennial committee. Chairmen of the subcommittees are J. Dewey Dorsett, general manager of Assn. of Casualty & Surety Companies, finance; Holgar J. Johnson, president of Institute of Life Insurance, public relations, and James R. Williams, vice-president of Health Insurance Institute, program and banquet.

A booklet outlining the 100-year history of the department will be published by the time the banquet takes place and will be distributed to guests at the dinner, to all insurance companies licensed in the state, high school, college and public libraries in New York State and all daily and weekly New York State newspapers.

Stock of **American Guaranty Life** of Portland, Ore., will be split four for one, to create a total of 66,165 shares with a par of $2.50. An additional 60,800 shares will be offered for sale to Oregon residents only. The company was organized in 1951.

Changes In The Field

Berkshire Life


Alfred H. Cole

Alfred H. Cole has been appointed general agent at Philadelphia. He entered the life business in 1946 as an agent for Aetna Life in Philadelphia, was named a supervisor there in 1951 and later transferred to the home office in a training position. In 1955, he became assistant general agent at Hartford and, in 1957, transferred to Pittsburgh as associate general agent. He is a CLU.

Franklin Life

Jack A. McLeod has been promoted to assistant manager of the Pacific northwest division at Spokane. Mr. McLeod joined Franklin in 1949 as general agent in the Lewiston, Ida.-Clarkston, Wash., area. He is a past president of the Lewiston-Clarkston NALU chapter.

Equitable Of Iowa

R. L. Hoghe has retired after 26 years as general agent at Los Angeles. His place will be taken by N. T. Reilly,


R. L. Hoghe


N. T. Reilly

who will combine his general agency with the Hoghe agency. Mr. Reilly joined the Hoghe agency in 1946 and in 1950 became head of a second general agency of Equitable of Iowa at Los Angeles.

Aetna Life

Alfred H. Hiatt Jr., co-general agent with R. M. Fee at Minneapolis, has retired after 35 years with the company. Mr. Fee will become sole general agent. Mr. Hiatt is a past president of Minneapolis Life Underwriters Assn. and Minneapolis chapter of CLU.

Sun Life Of Canada

Appointed managers at two new branches—one in Beverly Hills and the other in San Francisco—are, respectively, Frank B. Cross III and Victor L. White. Mr. Cross has been with Sun Life at Los Angeles since 1949 in both a sales and supervisory capacity. Mr. White has been with the company since 1950 in sales and agency supervision in the United States, Canada, Great Britain and India.

Guardian Life

Two veteran managers—Louis B. Levi, Evansville, Ind., and Norman W. Remole, Minneapolis—have retired. Mr. Levi joined Guardian as an agent in 1916 and in 1925 formed the Levi Brothers agency with his brother, Morris. Mr. Remole has been with Guardian since 1927, when he and his brother, Arthur, were appointed managers. Messrs. Levi and Remole will continue in personal production.

Succeeding Mr. Levi are his sons, Robert and Richard. Robert K. Levi, a CLU, joined the agency in 1950, and Richard, in 1956. Mr. Remole's successor is his nephew, Gerald M. Remole, who joined Guardian in 1948 and was appointed supervisor in 1954.

New England Life

Robert M. Orth, supervisor at Burlington, Vt., since 1956, has been appointed associate general agent there. He joined New England Life as a district agent at Rutland in 1953.

Occidental Of California

William A. Popp has been named assistant manager at Davenport, Ia. He has represented Occidental at Davenport since 1956.

Ohio National


Nicholas I. Kent

Nicholas I. Kent has been appointed Pacific Coast regional supervisor of sales and service of the group and pension department at San Francisco. Before joining Ohio National, he was with Mayflower Mortgage Co. of Oakland.

Monumental Life

William L. Sherman has been appointed manager at Baltimore. He has been manager for State Mutual Life at Philadelphia and before that was with Aetna Life in Philadelphia and Utica, N.Y.

Pacific Mutual

Clifford M. Burshek has been appointed assistant manager at Los Angeles. He joined the company in 1957 as supervisor at Denver, and before that he was with Metropolitan Life for five years.

LINCOLN LIBERTY LIFE has appointed Edwin E. Heap Jr. and Edgar R. Pascasio district managers of the central Texas agency covering 28 counties.

GIRARDIAN has appointed Arthur J. Hanson regional manager for Nebraska and Iowa.

TRANSWESTERN LIFE has appointed George S. McDowell general agent at Sacramento.

New Chairman, President At Southern Heritage Life

Southern Heritage Life has elected Irwin Belk as president and Monroe M. Redden as chairman. Mr. Belk exchanged the position of chairman for the presidency. Mr. Redden, who at one time was the company's first president, has recently been vice-president. He also is a former U.S. representative from Hendersonville, N.C.

Home Office Changes

Washington National

T. J. Griffin, vice-president and treasurer, and B. P. Sears, vice-president and general counsel, have retired. Both are directors and are expected to be elected to the finance committee


T. J. Griffin


B. P. Sears

at the board meeting in January. Mr. Griffin started his career with Michigan Mutual at Detroit in 1900. Mr. Sears entered the business in 1920 as general counsel of National Life of the U.S. He joined Washington National in 1938 when it acquired National Life.

Stanley P. Hutchison, associate general counsel since 1958, will succeed Mr. Sears as general counsel. He has been in the legal department since 1947. Emil G. Graff will be recommended to the board to succeed Mr. Griffin as treasurer. Mr. Graff, assis-


S. P. Hutchinson

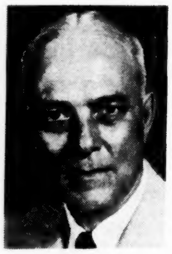

Robert J. Mueller

tant treasurer and secretary of the finance committee, has been with the company 33 years.

Robert J. Mueller has been promoted from 3rd vice-president to 2nd vice-president and director of the general agency department. His new responsibilities will include supervision of all general agencies, as well as the training organization in the general agency department. He will also supervise the five general agency regional directors.

Vice-president Kenneth Mullins, in charge of the general agency department since its inception, is limiting his executive responsibilities to certain home office service areas affecting the general agency department. He is a member of the board and of the executive and finance committees.

Eugene R. Volpi has been promoted to regional director of agencies to fill the position vacated by Mr. Muellers' advancement and will assume direction of general agencies in the northeastern section of the country. Mr. Mueller began in the insurance business in 1938. He joined Washington


Kenneth Mullins


Emil G. Graff

National in 1952 as an agency assistant and was promoted to regional director of agencies in 1953, in charge of the northeastern section of the U.S. In 1959 he was promoted to 3rd vice-president.

Paul Revere-Mass. Protective

D. Russell Armentrout Jr. has been appointed director of group sales and service. Since 1951 he has been with Pacific Mutual and since 1956 has directed its group activities in the southern sales region.

A. Warren McDouglas has been appointed assistant counsel. He joined the companies in 1956 as a member of the claim department staff.

Mutual Benefit Life

Frank A. Bonauto has been appointed group underwriter. He has been group underwriter for Nationwide Mutual and before that was assistant group underwriter of Equitable Society. He is a CLU associate.

Massachusetts Mutual

Richard B. Hodskins, in the law department since 1941, has been appointed associate counsel. He joined Massachusetts Mutual in 1930.

Andrew J. Lyons, who has been in the agency department since 1957, has been named superintendent of training. He has been vice-president and treasurer of Central Vermont Life Underwriters Assn. and secretary of Springfield (Mass.) General Agents & Managers Assn.

Harold G. Ingraham Jr., who has been in the mathematical department since 1949, becomes assistant actuary, ordinary. He is a fellow of Society of Actuaries.

Continental Assurance


Roger W. Dewey

Roger W. Dewey has been appointed director of group field sales and services. He joined the group department in 1948 and has been a staff assistant.

Variable Annuity Life

Harold G. Moulton has been elected a director and member of the finance committee. He is president emeritus of the Brookings Institute, of which he was the organizer and first president.

Lafayette Life

Effective Feb. 1, Roger S. Worden moves up to executive vice-president from underwriting vice-president and William J. Mattingly becomes director


R. S. Worden


W. J. Mattingly

of agencies. Mr. Mattingly has been assistant agency vice-president.

Mr. Worden entered the life business in 1930 and joined Lafayette in 1934. He became chief underwriter in 1944, board member in 1948, assistant secretary in 1952 and underwriting vice-president in 1957.

Mr. Mattingly joined Lafayette in 1946. He was promoted to assistant director of agencies in 1954, superintendent of agencies in 1958 and assistant agency vice-president and member of the administrative committee in 1958.

General American

Edward L. Faith, actuary, has been promoted to vice-president and actuary. A fellow of Society of Actuaries, he joined the company in 1923.

Robert N. Stabler, group actuary, has been advanced to assistant vice-president. He was in the group department of New York Life before joining General American as associate group actuary.

American United


Fletcher G. Shepard

New regional vice-presidents of reinsurance are Fletcher G. Shepard at Atlanta, southeastern division; Theodore T. McClintock, Indianapolis, eastern division; Fred L. Kautzman, Indianapolis, midwestern division; James B. Christopher, Alamo, Cal., western division, and James D. Ratliff, Dallas, southwestern division.


J. B. Christopher


T. T. McClintock

Mr. Shepard has 33 years of insurance experience. Mr. McClintock, in the business 32 years, is also director


Fred L. Kautzman


James D. Ratliff

of A&S reinsurance. Messrs. Kautzman and Christopher have been in the business 12 and 13 years, respectively, and Mr. Ratliff started in 1951.

Aetna Life

Frederick P. Perkins has been elected a director of Aetna Life Insurance Company, Aetna Casualty and Standard Fire. He is senior vice-president of Aetna Life and head of its group division.

William F. Bardo was advanced to secretary, comptroller's department, Aetna Life, Aetna Casualty & Surety, and Standard Fire.

Edward W. Bush was appointed assistant regional manager, mortgage loan department, Aetna Life. He has been field supervisor since 1952.

Mr. Bardo has served in the personnel department and the group division and became assistant secretary of the planning department in 1956.

North American Equitable

James A. Lantz has been appointed president of North American Equitable Life Assurance Co. of 2330 Victory Parkway, Cincinnati. This is the home office address also of Agency Corp. of America headed by Mark H. Kroll whom Mr. Lantz succeeds as president of North American Equitable. F. I. Wunderlick becomes executive vice-president.

Mr. Lantz has served three terms in the Ohio House and is currently speak-

er. Mr. Wunderlick was formerly with Baltimore Life for 25 years, becoming vice-president.

North American Equitable Life Assurance Co. recently acquired Independent Life of Baltimore, which at the end of 1958 had $25 million in force.

New York Life

Charles E. Humiston has been appointed director of marketing research. He has been with Prudential for 27 years and for the past 10 has been manager of marketing research.

Andrew J. Tyler, assistant manager of policy issues and records, has been promoted to manager of the department. He joined New York Life in 1926 in the selection and rating department and transferred to policy issues in 1946.

George J. Weston, supervisor in the selection and rating department, succeeds Mr. Tyler. Mr. Weston has worked in both departments since joining the company in 1934.

Southland Life

Dr. Hall Shannon, vice-president and medical director, has resigned, and Dr. L. S. Thompson has been promoted to associate medical director. Dr. Shannon, who will continue as consulting medical director and a director, joined Gulf States Life as medical director in 1927 and took over the position he held at retirement when Southland merged with Gulf States in 1938. He is a graduate of Baylor University medical school and a past president of Medical Directors Assn. of Texas. Dr. Thompson, also a graduate of Baylor, has been with Southland since 1955 as assistant to the medical director.

SOUTHWEST INDEMNITY & LIFE has promoted John P. Brady from vice-president of underwriting and claims to senior vice-president; J. A. Ferguson, executive assistant, to vice-president; Jack McCarter to 2nd vice-president; Albert P. McKinney to secretary; John H. Stansfield to assistant secretary and chief underwriter, and Miss Irene V. Stoner, assistant secretary, to director of home office administration.

NATIONAL FARMERS UNION LIFE has appointed Raymond F. Novak general manager, succeeding Gus F. Geissler, who has retired. For the past 12 years, Mr. Novak has been manager of Farmers Union Mutual of North Dakota. Mr. Geissler has been manager since 1956.

PATRIOT LIFE has appointed Alfred Sileo as sales promotion manager. He has been sales promotion specialist for Mutual of New York and before that was with Guardian Life and United States Life.

MIDWESTERN UNITED LIFE of Fort Wayne has promoted Ralph E. Sheets to general counsel, Eugene C. Rose to assistant treasurer, and Gene C. Hoemig to home office cashier.

INTERSTATE LIFE & ACCIDENT has elected as directors Morton J. Kent, vice-president and actuary, and George W. Evans, general counsel.

TEXAS LIFE—Maxwell M. Herbert has been added to the training supervisory staff. He has been in the business since 1947.

NORTHERN STATES LIFE of Milwaukee has appointed Robert E. Pung actuarial assistant.

NEAL TELLS INSURANCE TEACHERS:

A&S Companies Will Soon Eliminate Older Insured's Anxieties About Cancellation

WASHINGTON—It is reasonable to assume that within a few years most private health insurance companies will have acted to eliminate the older policyholder's anxiety that his coverage will not be renewed when he reaches age 65. This is what could be expected from the health insurance industry in the years ahead, Robert R. Neal, general manager of Health Insurance Assn., said in his speech at the annual meeting of American Assn. of University Teachers of Insurance.

Robert R. Neal

Moreover, he said, "It can be expected that coverage of persons over age 65 will increase more rapidly in the future," than it has in the past.

Mr. Neal devoted much of his speech to an outline of the rapid strides insurance companies are making in developing and offering health coverage specifically designed for people over 65. Among the plans, Mr. Neal listed the following:

Plans For The Aged

—Continuation of coverage on older active workers under group plans.

—Continuation of group coverage on retired workers and their dependents, generally with part or all of the premium paid by the employer.

—Continuation on an individual policy basis of coverage originally provided by group insurance.

—New issuance of group coverage at advanced ages.

—Continuation into the later years of individual coverage bought during insured's productive years.

—New issuance of individually purchased policies at advanced ages.

—Issuance of coverage that becomes paid-up at age 65.

Writing Plans For Some Time

Mr. Neal pointed out that many companies have been writing policies in line with or similar to these plans for some time, and many of them are gearing themselves to the need for providing more and better coverages at a cost which the public can pay.

Mr. Neal also said that the growing complexity of the social and economic consequences of health insurance has been attended by increasing federal government interest in the operations of insurance companies. As evidence of the extent of federal activities of considerable concern to the insurance business, Mr. Neal cited these actions:

—The creation of the Senate labor subcommittee on problems of the aged and aging and the public hearings held by that group.

—Introduction of the Forand bill, which would add medical and hospital coverage to the social security program.

—Congressional authorization of the

White House Conference on Aging scheduled for January, 1961.

Emphasizing the real danger of federal intervention into the health insurance field, Mr. Neal said, "Should that intervention occur, the government would take over a large and important area which has been the responsibility of the free enterprise system. Obviously, the establishment of federal administrative machinery to operate health insurance programs could possibly be the forerunner of government intervention in other fields of insurance."

In summing up the health insurance industry's position on the possibility of government intervention into its field of operations, Mr. Neal said, "Admittedly, the issues involved are broad, and it is not easy to deal with them. The main objective to be served is the public interest. The basic issue, then, is whether the voluntary system, which has achieved so much for so many millions of people in so short a span of years, is to be permitted to demonstrate that it can and will continue to serve the public interest with greater effectiveness and at lower cost than can the cumbersome, rigid and expensive methods which would be employed by those who advocate governmental intervention."

Great-West Life Reduces Immediate Annuity Rates

Great-West Life has reduced its single premium immediate annuity rates in the U. S. A single premium of $15,490 will buy a $100 a month annuity, 10 years guaranteed, for a man aged 65. Formerly the premium was $15,720.

Several Changes In Guardian Portfolio

Guardian Life has made several changes in its life portfolio, including quantity discount on all regular life, term and endowment policies; lower premiums on all term plans; three new increasing term riders, and making available a fifth dividend option on most policies.

Guardian has had the equivalent of a quantity discount on premiums for several years with a series of preferred risk and term plans, where the minimum amount issued was $10,000. On these plans there will be a reduction in the premium-per-$1,000 on all issues of $25,000 or more.

On other plans, where the minimum amount issued is either $2,000 or $5,000, there will be a discount at the $10,000 level and a further reduction in the premium-per-$1,000 at the $25,000 level.

Further Reduction

The premiums on all new issues of level and decreasing term policies and term riders are reduced to reflect continuing improvements in mortality during the past decade. With the application of the quantity discount system, further reduction in the premiums for the level term policies will be made on issues of $25,000 or more.

In addition, Guardian is changing its future dividend pattern from a level scale on term plans to one of providing dividends which will increase with policy duration.

The company is also introducing three increasing term riders—for 20 years, to age 65, and (for issue ages 56 to 65) to age 75. The first year death benefit may be for any amount between a minimum of $200 and a maximum computed on a basis of $100 per $1,000 of face amount of the base policy.

Death Benefit Afterwards

The death benefit in succeeding years will be the first year benefit times the current policy year. Conversion at attained age is allowed at any time up to 5 years prior to the terminal date of the rider, but not beyond age 60.

The riders may be added to any Guardian life or endowment policy at issue, but not to previously issued policies. They are not available with any policy which is term insurance in whole or in part, or which includes another term insurance rider.

A feature of the riders is a provision relating to the change of the basic policy to a lower premium plan, which will be useful where the rider is employed in a minimum deposit or split-dollar situation.

Fifth Dividend Option

The so-called fifth dividend option will be made available on most new life and endowment policies by means of a rider, which will modify the accumulated dividend option to provide automatic withdrawal from the dividend account each year to buy one-year term coverage. The premium rates for the one-year term insurance are not guaranteed, but may be changed from year to year, subject to a maximum stated in the rider.

The rider will be available only on regular policies which do not include any term insurance, issued at ages 15 to 65 inclusive, and where the face amount is $10,000 or more ($5,000 or more in New York State). It may be added to any substandard policy where the rating is not more than 150% of standard mortality.

N. A. Re V-P Advocates Adventurous Underwriting

"Adventurous underwriting" by individuals will develop the leadership and original thinking necessary to meet competition, John R. Ward, vice-president of North American Reassurance, told members of Idaho Home Office Underwriters Assn. at the December meeting.

He said the major objective of the modern life company is to keep even or ahead of the advances and changes in the field of substandard risks, and he advocated considering hitherto uninsurable risks on an extended schedule of rated premiums.

The meeting was the President's Night dinner which was attended by presidents of member companies and their wives. A hospitality hour preceding the meeting was sponsored by North American Reassurance.

7 Companies Join LOMA

Seven life companies have been admitted to membership in LOMA. The new member companies and their chief executive officers are American Travelers Life, Indianapolis, Roy A. Foan, president; British American Life, Nassau, Bahamas, Laurence F. Lee Jr., president; Calhoun Life, Columbia, S. C., Robert H. Lovvorn, president, and Farm Family Life, Albany, Paul L. Laffey, general manager.

Also, Life of Kentucky, Louisville, Robert B. Hensley, president; Pennsylvania Life, Los Angeles, J. D. Bain, president, and Supreme Liberty Life, Chicago, Earl B. Dickerson, president.

W. C. Below Retires As President Of Fidelity Life Assn.

Walter C. Below, president of Fidelity Life Assn. of Fulton, Ill., has retired after 41 years with the company. His office will be assumed by Chairman James S. Kemper. In addition, Paul F. McKee has been appointed vice-president.


Walter C. Below

Mr. Below joined Fidelity in 1918 as a member of the field force. He was a director from 1925 until becoming president in 1935. He is on the midwest advisory board of Lumbermens Mutual Casualty, which, like Fidelity, is a member of the Kemper group. Mr. Below is also a past president of NFC.

Mr. McKee went with Fidelity in June as director of agencies. He had been assistant vice-president of United Benefit Life.

Reader's Digest Runs Story On Substandard

An article in the January Reader's Digest tells the story of the tremendous extension of life insurance to the American public over the past 2[illegible] years. The article, entitled "Now Everybody Can Be Insured," rates the extension of life coverage to people previously uninsurable as a major factor in the drive which has brought life insurance to six out of seven families.

The report shows how long-range research programs in major life companies have made it possible to insure victims of tuberculosis, diabetes, and heart disease. Only 3.1% of life applicants were turned down last year.

The article, written by Oscar Schisgall originally for the Rotarian, says that insured Americans now average $11,000 in coverage, totaling more than half a trillion dollars of protection.

Elect Pedersen President Of Fort Wayne Managers

Fort Wayne General Agents & Managers Assn. has elected Harold V. Pedersen, Metropolitan Life, president. Vice-presidents are David Spencer, Phoenix Mutual, and Carl Smith, Union Central, and secretary-treasurer is Ralph Akers, Prudential.

Sells Whole Stock Issue

Renewal Guaranty Corp. of Denver sold out its first public stock offering of 92,000 shares of $1 par at $3.

Renewal Guaranty specializes in making renewal commission loans, and has made loans of this type exceeding $5 million since starting business in 1952.

Before the sale of the 92,000 shares Renewal Guaranty had 62,000 shares of common outstanding.

Find P. H. Meade Guilty

Federal Court at Indianapolis handed in a verdict of guilty on charges of violation of the SEC act by Phillip H. Meade, president Farm & Home agency, and two former stock salesmen, E. B. Shelton and W. H. Hilbert.

Meade faces a possible five years in jail and a $10,000 fine on each count of the seven-count indictment. Shelton was found guilty on seven counts and Hilbert on six.

Data Show Prospect How His Life Coverage Compares With His Peers'

By JUDIAH HIGGINS

Keeping up with the Joneses isn't usually considered much of a motivating force in buying life insurance, but still a prospect can sometimes be nudged into buying additional coverage because he doesn't want to fall conspicuously behind those he considers his peers.

The trouble is that very few people have any idea what their peers do about life insurance. Available statistics include the vast underinsured public and are low. Agents' ideas may sound disingenously high. Yet many people attach importance to what others are doing and would prefer the information from a disinterested source.

Northwestern Mutual Offers Answer

An answer to the problem has been provided by Northwestern Mutual Life in the form of a statistical survey showing the average coverage in all companies of a random sampling of its policyholders.

"Success or failure of a sale is apt to turn on the prospect's idea of how much life insurance he ought to own to be as good a provider as other men in the same income class and with the same family responsibilities," says Harold Baird, superintendent of agencies at Northwestern Mutual, in a report accompanying the survey.

"The buyer doesn't want too little, for in most cases he recognizes his obligation to protect his family. Neither does he want too much; and with the healthy respect he carries for the agent's selling prowess he is apt to build up quite a defense against being oversold."

The figures provide a third-party influence in selling insurance. As a selling point to persuade the prospect the study promises to be useful. It will back the word of the agent and dramatize cases where there is insufficient coverage. Presumably there is a kind of collective wisdom in the decisions of many different kinds of people in diverse situations as reflected in averages.

Uses Times-Income Ratios

The policyholder's insurance in the survey is presented in terms of the number of years of current income that the face value represents. The figures are broken down in respect to age, income and number of children of those surveyed. A further breakdown divides each group into three categories representing the top 20% in coverage, the second 20%, and the remainder.

The number of years' coverage in the survey ranges as low as eight-tenths of one year. This is for the lowest salaried married men, aged 48 to 51 and having no children. As a high point we find that men of 28 to 31 having three children and an income of \$5,000 to \$7,499 average 9.3 salary years in their coverage. The 28-31 age group is, on the whole, the highest in coverage according to the charts. Evidently additional income after the middle 30s is not entirely covered by additional insurance.

It is interesting that the highest age group in the study, from 48 to 51, is on the whole the worst covered at all income levels, turning in even a poorer record than those in their early 20s. A typical father of two children might have 4.8 income years' worth of insurance at 22, increase it considerably by the age of 30, but find the coverage reduced to three times annual salary at age 50. The format of the study does not permit the close consideration of single groups as they increase in age and salary.

The selling angle of the charts is presented by Neal Cresswell of the agency department, who says, "Many men will want to hit the top 20% because nothing is too good for their families. Most men will at least aim for the next 20%, taking the 'middle course' which is still distinctly above average. Practically no one wants to be in the bottom 60%, which is included mainly to authenticate the charts."

As might be expected there is a rise in life coverage in all groups as the size of the family increases. After three children, however, there is no significant trend. This may suggest that the needs of large families make the expense of insurance a difficulty; also it may reflect the influence of social security.

The study was put together by Laflin C. Jones, director of markets research at Northwestern Mutual, with a covering explanation by Richard S. Haggman, superintendent of advertising.

Continental American has raised the discount rate on premiums paid in advance to 3½%.

Editorial Comment

Why The Jumbo Group Parleys Failed

Now that even the most hopeful have admitted the uselessness of continuing to try for industry agreement on a jumbo-group limit law, we can make some comments that earlier would have sounded destructively defeatist.

First, there should be no bitterness. Bitterness, when justified, can often be a potent unifying force in making the opponents' victory a costly one or in attaining the best possible secondary goals. But in this situation we don't think bitterness is warranted—in fact, it would tend to distort the picture and hamper the attainment of next-best goals.

The NALU effort to get industry-wide agreement on jumbo group was, as Herbert Hoover said of the prohibition law, "an experiment noble in purpose." That both experiments failed makes their purposes no less noble. Both were carried on against odds that should have discouraged any but the most dauntless protagonists—of whom there was no lack.

But consider what the NALU group committee was up against. It faced the opposition of some of the largest and most important insurers, which considered jumbo group coverage entirely sound from the viewpoint of their respective companies. They also considered there was nothing wrong from the viewpoint of the other possible parties at interest—the public, the employers, the jumbo certificate holders, the life insurance business, the agents, and those concerned about the tax position of all group insurance.

The NALU group committee faced the job of convincing the jumbo-group insurers that they were wrong on at least one of those points—so wrong that they would be willing to support legislation imposing the type of limits that would be acceptable to NALU. Look at these points and the arguments used to prove them detrimental, and you'll see why the task proved in the end to be impossible.

1. Bad for the insurer: The soundness of the group-on-group plans of some of the smaller insurers was attacked by NALU, but nobody was able to show convincingly that the big companies writing the really big jumbo lines were violating sound principles of underwriting.

2. Bad for the public, aside from jumbo certificate holders: As the number of agents is reduced by so much coverage being bought through group, the public is less well served and overall protection is reduced. But group insurers have figures showing that agents who sell group sell more ordinary than those who don't—though it still could be argued that agents in the aggregate would sell still more ordinary than they do now if group coverage were limited to a nominal amount per life.

Also advanced as affecting the general public is the fact that as more taxes are avoided by individuals who have jumbo group certificates, the more tax there is for the rest of the public to pay. The weakness of this argument is that companies do business on the basis of the way the law is, not the way it might be if it were amended to be more in line with somebody's idea of social justice.

Companies contend that self-restraint would be futile, anyway, because employers wanting jumbo group could (a) set up their own life company in a no-limit state or in Canada; (b) buy from a Canadian or overseas company, or (3) self-insure.

3. Bad for the employers. Not much was made of this possible angle of attack.

4. Bad for the jumbo certificate holders: The argument was made that those covered by jumbo group are overpoweringly tempted to rely on that coverage instead of building up permanent insurance programs based on cash-value life insurance; that jumbo group is fine for the employer who wants to shackle a good man to his job but for the same reason is bad for the able man who wants to be free to move to a better job; that the man who is loaded with group misses the professional services of the agent, who has little chance of making a sale and shies away from such prospects.

However, the first two of these arguments are too far out in the realm of philosophical theory to stir much interest among the jumbo-group insurers. The third depended on persuading these insurers that they had a duty to hold down group protection so certificate holders would not discourage agents by the size of their group coverage. The lack of assurance that any agent would ever call on a given certificate holder, regardless of the amount of his group coverage, made this argument difficult to support on any kind of factual basis.

5. Bad for the life insurance business: This argument covers so much territory that it is hard to determine its effectiveness. Mainly it rests on the premise that if large numbers of the better-heeled prospects are covered by jumbo group, this will tend to restrict the market for ordinary and the number of persons who will want to make a career of life insurance selling. But this is so much a matter of emotion and unsupported opinion that no company on the jumbo-group side of the fence could have been expected to take much stock in it.

6. Bad for the tax-sheltered position of group premiums paid for rank-and-file employes: It was argued that because jumbo group utilizes a tax advantage originally meant to help the general run of employes, its use to provide large amounts of coverage to those with high incomes may well stir the Treasury and Congress to limit the tax shelter to very small amounts of coverage or perhaps eliminate the tax incentive entirely.

Here, again the disposition of the group insurers appears to be to sell what the law currently allows and worry about amendments when and if they become a threat. Moreover, as already noted, refusal to sell what the law allows could mean that employers would self-insure, set up their own company, or buy from Canada or abroad.

So, why did the NALU group committee fail to get anywhere with the industry committee on jumbo group? It failed because it was trying to get certain companies to pass up business that is important to them—business that they regard as in no way harmful to anybody. It failed because it had to base so much of its case on emotion and on unprovable opinions. In the absence of anything like factual proof of its contentions, the committee could do little against opponents who could speak with equal conviction for their own viewpoints. It was one side's word against the other's.

The NALU committee also lost, of course, because it was not in a position to do anything effective about the situation. It could argue and attempt to persuade the opposition. But once the opposition made it clear that it was not going to yield, the NALU committee had nothing else in its arsenal. Sure, it could threaten to lobby against having so liberal a tax shelter for group premiums, but that is probably going to get a going-over in the pending revision of the internal revenue code even without any whistle-blowing from the NALU.

In effect, NALU was asking the jumbo group insurers to give up an important chunk of their business for the sake of aims that any such insurer could easily regard as idealistic, unrealistic and needlessly restrictive of the public's right to have the maximum coverage available.

The NALU committee's failure to sell this concept should not be regarded as any reflection on General Agent David B. Fluegelman, Connecticut Mutual, New York City, who heads the group committee, but only as a reflection of the extreme difficulty of getting anybody to agree to refrain from any profitable pursuit that is not clearly and provably so detrimental that the pursuit and the profits should be passed up.

Jumbo group does have a drawback, but it is not something that the insurance business or any individual company should be expected to get excited about. That drawback is that it lulls the certificate holder into a feeling that he is protected in much the same way as if he had cash-value ordinary insurance that he had bought with his own money. It's much like living rent-free in a company-owned house and driving a company-owned car. It's possible to accumulate reserves to buy your own car and your own house when you retire or quit—but few men have the strength of character to do it.

But that is a long way from saying that permitting your employer to buy you a car, a house or a big slug of group insurance is so evil that it should be outlawed. All parties involved are adults of presumably sound mind. They're told what they're getting and they know, or should know, what's the matter with it.

If life insurance men want to keep them aware of what's lacking in group insurance, fine and dandy. But to feel that the "industry" is playing its public false by letting employers buy jumbo group is wearing too hairy a shirt and piling the ashes on too thick.

As good an answer as any, we believe, would be to devise and sell a "group supplement" policy that would enable the jumbo-group certificate holder to build up cash values as he goes along, so as to be prepared for the otherwise back-breaking cost of converting group insurance, should the need arise. We've suggested this before, but in the true life insurance selling tradition, we're not discour-

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aged at its lack of immediate acceptance.

Basically, this would just be an ordinary life or other cash-value type of policy, which would have all the attributes such a policy usually has except that it would pay a death benefit only to the extent that the insured's group insurance failed to equal the face amount specified in the individual policy. If the group coverage is withdrawn or lessened below the amount of the individual policy, the latter's premium would be adjusted on the basis specified in the policy.

Such a policy would have the advantage of giving the agent something to sell that even the heaviest-insured group certificate holder should be interested in having. From the insured's point of view, he would be prevented from relying unwisely on group term insurance for his house of protection.

At the same time, it would permit the jumbo-group certificate holder to enjoy all the protection given him by his employer, while being able to buy an individual policy that allowed him a discount for the death insurance he was getting for free in his group certificate.—R.B.M.

Personals

I. M. Sheffield Jr., chairman of Life of Georgia, has been reelected president of Georgia Motor Club, an AAA affiliate.

John Burkhart, president of College Life, has been elected vice-president of Indianapolis Chamber of Commerce.

Hamilton Coolidge, mortgage analyst of New England Life, has been elected a corporator of the Provident Institution for Savings in Boston.

Al B. Richardson, vice-president for public relations of Life of Georgia, has been elected vice-president in charge of public relations of Metropolitan Atlanta Community Services.

Dr. Harry E. Ungerleider, medical consultant to North American Reinsurance, has been appointed a member of the central committee for medical and community program of the American Heart Assn. The committee is responsible for the association's research, community service and professional and public education programs.

R. Howard Dobbs Jr., president of Life of Georgia, has been elected a trustee of Agnes Scott College, a girls' school in Decatur, Ga.

Deaths

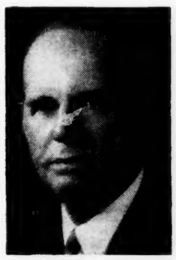
LESTER VAN SWEARINGEN, 62, regional group manager at Los Angeles of Occidental Life of California, died of injuries from an automobile accident. He had been with Sun Life of Canada and Missouri State Life before joining Occidental in 1939.

JOHN L. LOARIE, 78, retired vice-president and board member of Washington National, died in St. Francis Hospital, Evanston, Ill. With the company 36 years, he began in insurance at Chicago with the industrial department of Metropolitan. In 1919 he went with the old National Life of U.S.A. and joined Washington National when it purchased the considerable industrial business of that company. He progressed up the line, always in the industrial division, and was responsible for a number of far-seeing innovations in home office procedures. He retired in 1956. Mr. Loarie was a veteran of the Spanish-American war and the Philippine insurrection.

CHARLES W. CARREL, 53, Lincoln National Life controller, died after a lingering illness. He joined the company in 1924 and served as division accountant; junior accountant; manager, tabulating department; and assistant controller before being appointed controller in 1953. He had an active part in founding Insurance Accounting & Statistical Assn. and was a member of that organization's program committee. Also, he had been vice-president of Fort Wayne chapter of National Office Management Assn.

C. W. Carrel

W. W. KLINGMAN, 79, former general manager for Texas and director of Equitable Society until his retirement in 1957, died in Dallas after a short illness. Mr. Klingman entered the life business as an agent for Security Mutual of Nebraska at Eustis, Neb., and then transferred to Lincoln. His association with Equitable began in 1913 when he was attached to the St. Paul agency and assigned to Mankato, Minn. He was later named manager at St. Paul and while in this position attracted national attention when he sold $1,350,000 of life business within a 10-day period.



W. W. Klingman

In 1928, Mr. Klingman was transferred to Equitable's home office as 2nd vice-president in charge of the field force, becoming agency vice-president in 1933. Equitable, which had not been doing business in Texas from 1907 onward, reentered the state in 1937, at which time Mr. Klingman was appointed general manager for Texas. He held that position until his retirement as an employe in 1947. However, in 1944, he was elected a director of the company and did not retire from this post until 1957. He is survived by his wife and two sons, one of whom—Lloyd W. Klingman—is presently manager for Equitable at Dallas.

Northwestern National Raises Interest Rates

Northwestern National Life has increased interest rates on dividends and some contracts, effective Dec. 31.

The rate on participating dividends left to accumulate at interest will be raised from 3% to 3½%. On supplementary contracts, the interest rate will be raised to 3¾% where no life income is involved and to 3½% during certain periods when life contingencies are involved. This rate applies only to contracts arising from policies issued since 1948. The new rate on premium deposit, budget plan and Budg-O-Matic payment plans will be 3%.

Previously the company announced and increase to 4% of the rate for discounting premiums paid in advance and an increase to 3¾% on pension

Stocks

By H. W. Cornelius of Bacon, Whipple & Co., 135 S. La Salle St., Chicago, December 29, 1959

	Bid	Asked
Aetna Life	84½	86
Beneficial Standard	15½	16½
Business Men's Assurance	40	41
Cal.-Western States	113	116
Commonwealth Life	21	22
Connecticut General	352	357
Continental Assurance	155	160
Franklin Life	85	87
Great Southern Life	83	86
Gulf Life	20½	21½
Jefferson Standard	97	100
Kansas City Life	1420	1460
Liberty National Life	61	63
Life & Casualty	22½	23½
Life of Virginia	49	51
Lincoln National Life	241	246
National L. & A.	111	114
North American, Ill.	15½	16½
Nw. National Life	98	102
Ohio State Life	335	360
Old Line Life	72	80
Republic National Life	82	86
Southland Life	98	102
Southwestern Life	60	63
Travelers	86	88
United, Ill.	46	48
U. S. Life	42½	44
Washington National	57	60
Wisconsin National Life	41½	43½

Writes $1.1 Million On First Day

The first day of business of American Preferred Life was featured by $1.1 million of production and an open house at the new Memphis home office. Commissioner Long of Tennessee formally presented the license to President Robert H. Horton at that time.

Ralph E. Beard, Fort Wayne, Ind., was November man of the month for Midland Mutual Life, the third time this year he has earned this designation.

Conventions

Feb. 15, Insurance Economics Society, executive commitee, Drake Hotel, Chicago.

Feb. 19-20, New York Life Underwriters, general agents & managers conference, Queensbury Hotel, Glens Falls.

Texas Tri-City Sales Congress, Feb. 25, Dallas; Feb. 26, San Antonio, Feb. 27, Houston.

March 14-16, Life Insurance Agency Management Assn., agency management conference, Royal York Hotel, Toronto, Canada.

March 20-24, National Assn. of Life Underwriters, midyear, Louisville.

March 24-25, Society of Actuaries, eastern spring meeting, Mayflower Hotel, Washington D. C.

March 28-30, Life Office Management Assn., debit insurance forum, St. Charles Hotel, New Orleans.

April 11-13, Life Insurance Agency Management Assn., accident & sickness meeting, Edgewater Beach Hotel, Chicago.

April 27-29, Life Insurance Agency Management Assn., combination companies conference, Hollywood Beach Hotel, Hollywood Beach, Fla.

May 5-6, Society of Actuaries, western spring meeting, Roosevelt Hotel, New Orleans.

May 9-10, Assn. of Life Insurance Counsel, midyear, The Greenbrier, White Sulphur Springs, W. Va.

New Handbook Of Kansas Published

A new Underwriters Handbook of Kansas has just been published by the National Underwriter Company. It provides complete and up-to-date information on the agencies, companies, field men, general agents, groups and other organizations affiliated with insurance throughout the state. Copies of the new Kansas handbook may be obtained from the National Underwriter Company at 420 East Fourth Street, Cincinnati 2, Ohio. Price $12.50 each.

1960s Can Enhance Or Hobble The Variable Annuity, Says Greenough

(CONTINUED FROM PAGE 2)

of diverse roads and it remains to be seen whether variable annuities for the general public will really make much of a stir, whether they will become an over-regulated, over-expensive, oversold, over a lot of things industry, or whether they will become a true and worthy servant of the American public, helping to solve the growingly complex problem of providing suitable and sufficient retirement income for our aging population.

The multifold decisions that must be made by many different individuals call for broad vision and understanding if the highest interests of the public are to be served.

Retrospective View Of CREF

But let us return to the field of higher education in America, in which variable annuities were initiated, and see whether in this framework they have so far fulfilled their purpose. The first question I might be asked is, "If we had it to do all over again, would we establish CREF?" The real answer has already been given by the 900 institutions of higher education —colleges, universities independent schools, non-profit research and scientific organizations, and educational foundations and associations that are, with their staff members, participating in TIAA and CREF.

And it has been given by these 60,000 staff members—including large proportions of the academic members of the American Assn. of University Teachers of Insurance, the American Economic Assn., American Finance Assn., and the other social science groups meeting here in Washington, people especially informed and able to judge whether they individually wish to participate in CREF.

CREF Helps Recruiting

We hear over and over again from college deans, heads of departments, presidents, and others charged with obtaining academic talent, that CREF is of real assistance in recruiting and holding able people in the service of higher education.

In the next 10 years about 25 college teachers need to be attracted to our institutions of higher education for every 10 now employed there, in order to take care of the exploding enrollments of the colleges and universities, and the attrition among teachers from retirements, deaths and losses to other employments. It is hoped that variable annuities through CREF will continue to help the colleges attract and keep the talent to which they aspire.

No Profits To Share

In the late 1940s and early 1950s many college professors were discouraged because their earnings were lagging seriously behind the cost of living. And once they retired they were faced with the same problem of all people living on fixed incomes—the declining purchasing power of those fixed incomes during inflationary times.

In industry salaries were high and increasing and profit-sharing, bonus, deferred compensation, and other kinds of plans took away some of the sting of the reduction in purchasing power of their retirement plans. It did not seem reasonable for college professors to have to carry all of the risk of inflation's effect on fixed-dollar incomes. Of course this problem was not limited to professors, but it was more severe for them than for many people.

Obviously Was Needed

The advantage of hindsight, of even so short a period as 7½ years, indicates that something like CREF was greatly needed by the colleges and their staff members. It has played its part in helping to make the profession of higher education more attractive by giving reasonable promise of real security in retirement, by basing retirement savings on a broader diversification of assets, and by providing the college teacher with his first major opportunity to participate in the productivity of the American economy.

In this well informed group I need make only brief reference to technical aspects or to the differences between TIAA and CREF and more conventional operations.

A variable annuity is a series of regular payments usually but not necessarily involving life contingencies, the yearly value of each of the series of payments being equal to a pro rata share of a fund normally invested in common stocks and other equities.

While not a part of the definition of variable annuities, an essential part of the objective of providing retirement security is the mechanism for purchasing variable annuities through regular premium payments over many, many months and years of the working lifetime, thus distributing the purchase of equity investments over a period of time.

CREF is a companion organization established by TIAA, the originator of variable annuities, to issue these annuities for staff members of colleges, universities, and other non-profit institutions. Some salient points:

Separate From TIAA

1. CREF is corporately and financially separate from TIAA with a separate board of trustees, separate investments, and separate accounting for funds. But it is a companion organization for TIAA, both being integral parts of the retirement program.

2. CREF fell heir to a ready-made TIAA clientele composed of college staff members, scientists and other educators. Both companies strictly limit eligibility for their contract to this group—non-profit educational organizations, colleges, universities, independent schools, research organizations, and foundations and educational associations.

Must Be TIAA Participant

3. The CREF participant must also be a TIAA participant, so that "balancing" of his retirement savings between variable and fixed-dollar annuities is assured.

4. In the TIAA-CREF structure there is no "selling" in the usual sense. Both companies use the same small advisory staff—a half dozen full-time, salaried officers that handle the writing of articles, bulletins, books, letters and other contacts made with the 900 educational institutions with TIAA-CREF retirement plans, as well as handling the life insurance, major medical insurance and disability income programs.

5. Both the TIAA and CREF annuities are fully vested in the individual and transferable so that he always owns them, but only as an annuity or death benefit. There are no cash or loan values.

6. Practically all TIAA and CREF annuity contracts originate as part of college retirement systems. This means that the decisions to make CREF available as part of college retirement plans came about by trustee action, study by college officers, by faculty committees, and by individual staff members.

CREF and TIAA report fully to all policyholders once a year, both as to figures on the participants' own annuities, and, in the annual report, as to all of the investments in CREF, the current unit values, and other material. Here are some of the significant data as of Dec. 1, 1959:

57,000 In CREF

1. A total of 57,000 educators are now participating in CREF. This represents 70% of the TIAA premium-paying annuity owners.

2. Total assets of CREF now equal $120 million.

3. The accumulation unit value representing the price of new units for the person paying premiums, or the value of the death benefit at any time, is now $26.28, or more than 2½ times the starting value in 1952.

4. The annuity unit value ha[s] changed as follows:

Annuity Year May through April	Annuity Uni[t] Value
Initial Value	$10.00
1953-54	9.46
1954-55	10.74
1955-56	14.11
1956-57	18.51
1957-58	16.88
1958-59	16.71
1959-60	22.03

5. Expense loadings in CREF wil[l] once again be reduced on Jan. 1 1960, this time to 2.1% of each premium as the total operating expens[e] charge, plus one-sixtieth of 1% pe[r] month total investment expens[e] charge. These are the only expense[s] until retirement, at which time a charge equal to 1% of annuity payments is made to take care of all operating expenses during the paymen[t] of annuities.

6. CREF funds are invested in 1[?] different industries and 66 carefull[y] chosen companies within those industries. The portfolio and percentage distribution among industries is given i[n] the appendices.

7. Practically all of TIAA-CREF'[s] 900 cooperating institutions with retirement plans make CREF participation available to their staff members Ninety percent of the staff member[s] who choose to participate in CREF d[o] so for the full 50% of premiums allowed. A few institutions have mad[e] participating in CREF compulsory fo[r] all participants in their retiremen[t] plan.

8. Although the participant in CRE[F] can choose whether to put a quarte[r] a third or a half of his total premiu[m] into CREF, the rest going to TIAA t[o] purchase a fixed-dollar annuity, ther[e] has been almost no shifting back an[d] forth. There is no evidence of attempt[s] by staff members to "guess the market"—they accept CREF and TIAA a[s] long-range, conservative, well-planne[d] retirement income programs, not speculative investment schemes.

Stress Performance Variability

In our annual reports and our various writings on CREF we emphasiz[e] again and again that common stoc[k] performance and the performance o[f] the American economy at any on[e] time can vary quite widely both u[p] and down. We continually point ou[t] that while the experience of CREF ha[s] been exceedingly favorable so far, i[t] can go the other way. We also emphasize that it is the long-range experience which is important. May [I] say this also to the many among yo[u] who are CREF participants. CREF ha[s] been scrutinized in minute detail b[y] many organizations studying whethe[r] to set up their own variable annuit[y] plans.

Yes, if we had it to do over again[,] we would set up CREF, and we woul[d] use practically the same structure fo[r] it. In our experience with it, onl[y] minor technical changes have seeme[d] necessary or desirable. Few revolutionary developments in the insuranc[e] world have ever been looked at quit[e] so hard and carefully, not only b[y] those who developed it originally, bu[t] by people in the insurance world an[d] those outside.

All of you are aware of the fuss an[d] furor during the most recent hal[f] dozen years over whether variable annuities should be offered to the general public, and if so, by whom an[d] how. As you also know we have kept on the sidelines at TIAA minding our

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own shop, trying to run an effective operation for a wonderfully worthwhile profession.

This did not mean that we had no interest in what was going on. But it did and does mean that we have no desire to suggest to other people that they should do the same as we did, or that they should set up a different system, or that they should try it at all.

But now it is clear that variable annuities will be written on a substantially greater scale during the 1960s, and they probably will be written both by small specialty companies like PALIC, VALIC, and EALIC; by Prudential and others following its pattern, by state retirement systems such as in Wisconsin, by many trusteed and other large plans, by semi-governmental units like the Tennessee Valley Authority, and perhaps by mutual funds.

Quotes Opposing Viewpoints

Many thoughtful people have taken strong positions on both sides of a number of questions related to variable annuities:

"Variable annuities are no good."

"Variable annuities are the answer to every problem of retirement income."

"We have now licked inflation."

"We will have chronic inflation, and a little inflation is good for the economy."

"We will never have another depression like 1929."

"Another depression is just around the corner."

"Common stock prices are too high."

"Common stock prices are really quite low considering their current values."

"In fixed-dollar annuities the insurance company takes all the risk."

"Inflation destroys all the value of a fixed-dollar annuity."

"Variable annuities are securities."

"Variable annuities are life insurance."

"Variable annuities are not 'annuities'."

"Variable annuities are the only annuities worthy of the name."

Fail To See Time Lengths

Most of these statements are extreme on each side. I doubt if any of us can foresee the future well enough to take such strong positions. I believe that a number of the extreme views and much of the misunderstanding with respect to variable annuities arise primarily from the failure to keep in mind the very long-time intervals involved in annuities and the facts with respect to inflation and deflation over such periods.

We simply are not discussing term insurance, family income insurance, most of ordinary life, or major medical, group life insurance or many of the other services provided by life insurance companies which are so essential and which are affected not at all or only unimportantly by inflation.

The problem of providing financial security for retired people is one that stretches over a number of decades, the normal 35 to 45 working years of a man's lifetime, plus the average retired lifetime after age 65 of some 15 years for a man and about 20 to 22 years for his wife, assuming she is a couple of years younger than he. In trying to solve the problem of saving for old age income, it is not enough merely to predict whether we are going to have inflation in the next six months or six years. Let's put this thought in startling prospective; people now retiring started their working lifetime 2½ inflations and one disastrous depression ago, the inflations during and after each World War and the half inflation of the Korean War, plus the great depression.

There has been no time in American economic history where there has not been at least one substantial inflation during a period encompassing the normal working and retired lifetime of an individual. And for the other side of the coin, there has been no time in American economic history in which there has not been at least one substantial recession or depression during the working and retired lifetime of an individual.

I would like also to sound a warning against the use of trend-line analysis in connection with retirement planning. We often hear statements such as, "we have suffered inflation at the rate of 3% a year ever since the Civil War," or the opening of the century, or whatever. We also frequently hear statements such as, "common stocks have yielded 4.9%, and have had capital gains of 2.3% per annum during the first half of the 20th century."

Statistically such statements may be reasonably accurate, if allowances are made for imperfections in cost of living indexes, common stock indexes and the like. However, the year by year and decade by decade fluctuations both up and down in both of these indexes places them well away from their own long-term trend lines most of the time. A retired individual simply does not live on a trend line; he lives day by day, week by week, and month by month, according to the then existing price level and purchasing power of his retirement income.

Purchasing Power Needed

If this reasoning is valid, certain conclusions flow from it. If we are to work effectively to provide retirement security for Americans, we must make every effort to supply adequate purchasing power during each year of an individual's retirement regardless of which way the American economy is moving at that time.

It is probably a good idea to mention once again the three basic conclusions reached during the course of the economic studies in 1950 and 1951 underlying the establishment of CREF. These studies covered a 70-year period of turbulent economic history, 1880 to 1950.

Quotes Three Conclusions

The three basic conclusions were:

"1. It is unwise to commit all of one's retirement savings to dollar obligations, since decreases in the purchasing power of the dollar can seriously reduce the value of a fixed income annuity. Increases in the purchasing power of the dollar, on the other hand, improve the status of the owner of a fixed income annuity.

"2. It is equally unwise to commit all of one's retirement savings to equity investments, since variations in prices of common stocks are much too pronounced to permit full reliance on them for the stable income needed during retirement. Changes in the value of common stocks and other equities are by no means perfectly correlated with cost of living changes, but they have provided a considerably better protection against inflation than have debt obligations.

Divided Investment Steadiest

"3. Contributions to a retirement plan that are invested partly in debt obligations and partly in common stocks through an equities fund providing lifetime unit annuities offer promise of supplying retirement income that is at once reasonably free from violent fluctuations in amount and from serious depreciation through price level changes."

The experience of the CREF investment portfolio and of common stocks in general has been exceptionally good since the start of CREF in 1952. It might be claimed that this strengthens the case of those who think that 100% of an individual's retirement savings should go into variable annuities. I believe that it strongly supports the case of those who believe in balancing retirement income between fixed and variable contracts.

Let us look at a few common stock price index figures and price-earnings ratios:

Date	Dow-Jones Industrials Price Index	Price-Earnings Ratio
Dec. 31,		
1948	177	7.7
1952	292	11.8
1958	584	20.9
1959 (9-30)	631	17.8

While this by no means suggests we should take fright (or flight) be-

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cause of current levels of common stock prices, it also does not suggest we should give up our adherence to balance and put all our savings into common stocks.

Historically common stocks have yielded from about ¾ to 1½% more than bonds. Currently bond yields are about 1 to 2% higher than yields on stocks. It has been said, historically, that the differential yield in favor of common stocks was a payment for additional risk taken by the individual. Are we now to use part of this traditional analysis of differential yields to say that investors are demanding a differential in favor of bonds because of the risks they take when they invest in bonds—the speculative danger that the purchasing power of their bonds, not the amount of dollars, may deteriorate?

Reason For Bond Bias

I suspect this is a part, although not large, of the reason for the current differential yield in favor of bonds. The public generally overcompensates at any one time.

If this is true, we may find a curious anomaly. At the present time the purchaser of common stocks must expect those stocks on the average to have a combined capital gain and additional yield rate of 1 or 2% or perhaps more in their favor in order just to equal the record of currently purchased bonds.

It is by no means impossible that the historical relationship could be reversed for a long period of time. If so, the effective hedge against increasing living costs—inflation—might be obtained from the total investment performance of bonds instead of from the total performance of common stocks. But let us balance that thought too—some people expect the Dow Jones industrial index to break 1,000 during the 1960s.

Since our ultimate objective in developing the combined system of TIAA fixed-dollar and CREF common stock annuities is to provide long-term economic security during retirement, these various facts emphasize the fact that all we can be certain of for the future is change. This suggests a continuation of the conservative middle ground of investment whereby the individual is given a reasonable chance of security regardless of the direction in which the American economy moves during his retirement.

An interesting conceptual matter arises in connection with the word "guarantees." The use of "guarantees" has been changing in the insurance world to take account of changing conditions. Especially in the various group lines the factors going to make up premium rates at any one time are frequently not guaranteed or, if so, not for very long into the future. Specifically in the field of annuities, the deposit administration funds and then the "immediate participation guarantee" arrangements shift from the former concepts of long-term guarantees to a system providing full reflection of current performance.

In variable annuities two methods are in use and proposed, neither of which change in any way the essential aspects of the variable annuity. In two of the small specialized companies issuing variable annuities, VALIC and EALIC, mortality and expense factors are guaranteed, and this is appropriate since these are both stock, profit-making ventures; in the other, PALIC, none of the factors are guaranteed.

In the proposed Prudential plan, guarantees of mortality and expense factors are incorporated, and in fact the New Jersey law specifies that the only kind of variable annuities that can be written under it must contain guarantees. The Wisconsin state plans and the Tennessee Valley Authority plan contain no guaranteed factors. Some of the trusteed plans guarantee the expense and mortality factors; others don't.

It has been said that with guaranteed fixed-dollar annuities the individual takes all the risks. Actually, with a fixed-dollar annuity the individual takes all of the risk of inflation, and with a variable annuity the individual receives the full advantage of good performance of equity investments by accepting also the risks of poor performance.

Stresses Mortality Risk

Likewise, of course, the essential element of life annuities is the shifting of the mortality risk from the individual to the group, which is accomplished in both the fixed-dollar and the variable annuity, whether with "guarantees" or not.

Depending on the circumstances, guarantees of mortality and expense items in the variable annuity portion may or may not be desirable. If guarantees are used, something must support the guarantees. This support is generally obtained by siphoning off some of the earnings to reserve funds and surplus, instead of paying them out to participants in current retirement income.

This may be appropriate in group annuities covering heterogeneous groups, or in situations where there otherwise would be no adequate control over expenses. If reasonable mortality assumptions are made, and if the group to be covered is very large, the variations in mortality experience among the group of annuitants will only be an insignificant fraction of the variations resulting from changes in the performance of the common stock portfolio. A traditional fixed-dollar annuity guarantees the mortality, interest, and expense factors but leaves out the important item of purchasing power.

In the variable annuity the important factor for the individual is his opportunity to participate fully in the growth and development of the American economy as reflected in his annuity payments. In whatever may ultimately be done as to variable annuities, there certainly should be provision to issue them on a fully participating basis, as well as, if desired, on a basis guaranteeing mortality and expense rates.

CREF Fully Participating

The CREF annuities are fully participating. Here a large group of annuitants was insured so that mortality fluctuations, as expected, have been insignificant. There are currently 57,000 CREF participants in the premium-paying stage and 650 persons already retired. As to expense rates, low expenses in the TIAA-CREF situation are practically assured, and the current total expense charges during the premium paying stage of 2.1% of the premium for operating expenses plus one-sixtieth of 1% of the fund per month for investment expenses are obviously exceedingly modest.

A 1% charge takes care of all operating expenses during the period of benefit payments. I might point out that while TIAA has no reason or desire to charge participants more or less than it costs to run CREF, the New York department under which both CREF and TIAA operate, will not let TIAA overcharge or undercharge the CREF participants.

Predictions Of Growth

A favorite game of economists has come to be that of predicting whether it will be in the year 1978 or 1984 when the United States crosses the trillion-dollar mark in gross national product. Electronic data processing, automation and other such advances in handling clerical and industrial work will be among the factors almost assuring substantially rising per capita standards of living. Population predictions show a continually expanding market, especially in the younger age groups and in the number of persons over age 65.

A great challenge lies ahead for all types of retirement savings, of which variable annuities are only one. In combination with fixed-dollar annuities based on an investment portfolio largely of fixed-dollar assets such as bonds and mortgages and providing good protection during deflation and normal times, the variable annuity based on equity investments broadens the diversification of investments for support of old age security, during normal times, and also brings in a balancing factor of protection against inflation.

The decade of the 1960s will show whether this new development, the variable annuity, will be used well and intelligently to enhance the retirement well-being of many Americans. There is a hazard that it might become an "over" industry—over-regulated, over-sold, over-protected, over-extended. It may be regulated both at the national and at the state level and as both retirement annuities and securities. It may be sold, and the funds may be invested, by all sorts of people with all sorts of training.

It may be forced into specific patterns by law that are inappropriate for it. Or its promise may be enhanced by intelligent legislation, supervision, management, marketing and operation. This is going to call for real leadership on the part of public officials and private enterprise toward the end that variable annuities can best serve the retirement security of the segments of the American public that wish to make use of them.

Back To CREF

Coming back to the College Retirement Equities Fund, its continued development would seem to be assured. It is embraced by the colleges, universities, foundations, scientific and research organizations, and educational associations as a significant aid in attracting and retaining capable academic talent. During the coming years of enormously expanding college enrollments and a great talent search for teachers this function of CREF may become more and more important.

And as an ultimate objective we see good prospect that the combination of a strong fixed-dollar annuity provided by TIAA and a variable annuity provided by CREF will give each college professor as he retires the reasonable security he should be able to look forward to after a lifetime of service to higher education.

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LOMA Institute Adds Text

LOMA has added a new book to its series of texts for use in conjunction with LOMA Institute courses. The new work, "Home Office and Field Agency Organization—Life," was written by R. Werner Lederer, associate educational director of the association.

Mr. Lederer's book is one of two texts on which LOMA Institute course 5, "Agency Organization, Functions and Practices; Elements of Home Office Management," is based. The 222-page volume is a general text dealing with organization for sales, compensation and agency costs, and manpower building.

Price of the book to LOMA members is $3.50; to non-members, $4.50, plus 25 cents postage and handling.

Insurance Teachers Hear Prediction Of Social Security Changes

(CONTINUED FROM PAGE 1)

cussion naturally proved to be of more interest to either fire and casualty men or those in the life business, some held vital interest to both. Among the latter was a paper by Robert J. Myers, chief actuary social security administration, Department of Health, Education & Welfare, delivered in a seminar held Monday morning, "Current Developments and Problems in Insurance," Mr. Bickley presiding.

If some of the expansion for social security advocated by "influential students" of it were to be effected, serious question could be raised as to whether there would be any sizable role remaining for private coverage, Mr. Myers declared.

Redefinition Might Result

Redefinition of social security's floor of protection concept to a significantly higher level and certain types of added benefit protection such as raising benefit levels for a single person to 50% of his recent earnings are among the expansions that might result in the stifling of private insurance, Mr. Myers stated.

However, he said, moves as drastic as these are not likely to have serious consideration "at least as to full action, in the immediate future, although attempts might be made to reach these goals on a step-by-step basis."

Discussing other possible changes in old age and survivors' benefits, the actuary declared that if public opinion on desired changes were measured by the number of bills introduced in Congress, "the popularity leader by an overwhelming margin would be repeal or drastic liberalization of the retirement test."

The major reason for the retirement test is that the program is designed to provide protection against presumed loss of earnings arising from risks covered in the program. "This basis insofar as retirement benefits are concerned naturally differs from private insurance which necessarily provides annuities at a prescribed fixed age," he stated.

Cost consideration is important in connection with the retirement test. If benefits were to be made payable at age 65 regardless of retirement, it would add about 1% to the payroll tax on a level-premium basis, he said.

Higher Costs Indicated

Turning to the Forand bill, Mr. Myers recalled that early estimates indicated a level-premium cost of slightly over ½% of payroll but that unit-cost figures subsequently have indicated somewhat higher costs. "But proponents," he said, "have expressed complete willingness to provide the contribution rates needed. It should be mentioned that cost estimates for the hospitalization benefits have been made by the insurance industry that indicate considerably higher costs than our figures, primarily because of assuming considerably increased utilization rates."

Other proposals mentioned by Mr. Myers under the heading, "Future Changes," included raising primary benefits (and thus all benefits); keeping the present benefit formula by raising the minimum monthly primary benefit from $33 to $40; increasing the taxable earnings base to $6,000; paying benefits to now-excluded categories such as survivors of fully-insured workers who died before 1940 and benefits for aged, unmarried sisters; modification of family employment provisions; payment of benefits beyond age 18 if a child is in school; providing benefits for dependent widows under retirement age if they are disabled; making the widow's benefit 100% of the primary benefit; lowering the retirement age to 60 or even 55; and allowing those who work past retirement age to add increments to their benefits.

Discusses Attitude Of Public

Mr. Myers also discussed the attitude of the general public and Congress toward the program and the effects of social insurance on inflation. He said there seems to be general agreement that social insurance benefits should provide only a minimum floor. But he admitted there is a wide diversity of opinion on how far apart the floor and roof should be. "The middle ground, perhaps," he said, "is that benefits . . . in combination with other income and assets should be sufficient to yield a reasonably satisfactory minimum standard of living for the great majority of individuals. Then, any small residual group with unmet basic needs should be provided for by supplementary social assistance."

Perhaps the most significant public misunderstanding has been in regard to financing of the program, he said. There have been charges that the system is financially unsound because it could not pay off if it were terminated.

"Under a national compulsory social insurance system, continuity of operation can be assumed," he stated. "The test of financial soundness is whether the proposed future income from taxes and from interest on investments will be sufficient to pay the anticipated expenditures." Viewed in this light, Mr. Myers said, "the OASDI system has always been estimated to be substantially in actuarial balance."

In the traditional and always interesting "Seminar on Insurance Research," (John F. Adams, Temple University, was chairman this year), Michael T. Wermel, California Institute of Technology, reported that of 415 companies participating in a survey on the role of management in retirement preparation, all recognized some measure of responsibility toward employes who would retire, but most frequently this responsibility was directed toward the financial aspects.

There was a wide divergence of opinion on what properly constitutes a retirement preparation program; some even objected to such programs on the grounds they are paternalistic and constitute invasion of the workers' privacy, Mr. Wermel said. Of the companies participating in the survey, 92½% advocated distribution of retirement planning booklets, but only 59% are actually engaging in the activity.

Survey Concerned Companies

Because it was deemed desirable to survey companies most likely to have given some attention to the problem, Mr. Wermel reported, firms contacted and participating were "those that would be characterized as large from the standpoint of employment and volume of business." Hence, they did not constitute a representative sampling in any true statistical sense, he warned.

Laurence J. Ackerman, University of Connecticut, reported that 31 college insurance instructors participated in the fellowship program of AAUTI during the preceding summer. Under the program, teachers are placed in home offices for either general or specialized instruction in actual operations. All but three of the 1959 participants indicated a desire to enter the program in 1960.

List Fellowships

Companies offering 1959 fellowships were State Farm Life; Continental Assurance; Universal Life; Metropolitan Life, John Hancock; Northwestern Mutual Life; Kansas City Life; New England Life; Provident L&A; Southwestern Life; Gulf Life; Republic National; Equitable Society; Trinity Universal; Connecticut General; Security Mutual Life; Fireman's Fund; Hartford Fire; State Mutual; New York Life; Pacific Mutual; Indianapolis Life; Life of Georgia; Great Southern Life, and Provident Mutual Life.

In his contribution to the research seminar, James L. Athearn, University of Florida, said that while there is a general notion that the life industry is a competitive market, from an economist's viewpoint there is a possibility that it is actually oligopolistic (i.e., dominated by a small number of firms).

Suspects Lack of Knowledge

Mr. Athearn voiced the suspicion that one of the reasons there is so much confusion in the areas of life regulation and taxation is that nobody knows very much about this structure. "We have 1,375 companies now," he said, "and we really don't know whether we need more or fewer. We also know little about the significance of mergers or conditions of entry into the business."

Pointing out that his approach to the subject is that of an economist, rather than that of a businessman or salesman, Mr. Athearn offered as evidence of the domination of the market by a few firms, a tabulation of companies by size of assets—the measure SEC used in a study conducted in 1939-40.

26 Insurers With $125 Million

The SEC study revealed that in 1938 there were 26 companies with assets of $125 million or more, this 26 being 11.77% of the then total number of companies. This 11.77% accounted for 87.5% of the total assets of the industry. Analyzing the 1955 data on 622 companies, he found that 24 of SEC's 26 are still in the top 26.

The number of companies having assets in excess of $125 million had increased to 60 by 1955, but the percentage of the total in this class had dropped 10.36%. The same percentage of companies that held 87.5% of the total assets in 1938 held nearly 93% by the end of 1955.

"Percentagewise, the concentration of control over assets of the industry increased between 1938 and 1955—despite a great increase in the number of companies," Mr. Athearn summarized. "Because the apparent assumption underlying much of the regulation of the industry is that competition will take care of the consumer if the companies remain solvent, I think a good deal more needs to be done along the line of studying the structure of the industry."

No Small Loan Laws

Texas has been known as the "loan shark state" because it is one of the few without small loan legislation, Kenneth W. Herrick, Texas Christian University, stated at the research seminar in a paper entitled "Credit Life and Health Insurance in Texas."

Present credit insurance abuses in Texas can't be stopped inasmuch as creditors cannot be required to take the group insurance used there for the coverage as precedent to the loan, and the interest charged for group credit insurance has not been specifically designated by statute as being exempt from the contention that it is, in fact, interest, he said.

Not only has the state no small loan legislation, but the state constitution stipulates that no more than 10% (true annual interest) may be charged for loans. "This figure is so low that legitimate small lenders cannot operate under it and, consequently, have found means to alleviate the situation," Mr. Herrick stated.

One of the means of alleviation is the use of credit insurance with loans. A statute has been passed permitting small loan companies to require credit insurance as a prerequisite for loans. The statute specifies that the premiums charged are not to be considered interest as long as they are within the maximum premiums set by the state board, he concluded.

Elect Frey President Of Milwaukee Life Managers

Milwaukee Life Managers & General Agents Assn. has elected John J. Frey, Prudential, president, succeeding Dale A. Simpkins, New York Life.

New vice-presidents are Paul J. Quillin, Mutual Benefit Life, and Dudley S. Field, Travelers. Allen K. Shackleton, Lincoln National, is treasurer, and Stanley W. Grosskopf, Prudential, is secretary.

Describes Variety Of Life Reinsurer Services, Influence

(CONTINUED FROM PAGE 4)

methods and gain valuable friendships.

Executive seminars are often held wherein the president or executive vice-presidents of the ceding companies meet for several days and share their ideas in addition to listening to speakers well informed on subjects of prime interest to them.

There have probably been more changes in the various products issued by the life business during the last 15 years than in the previous 50. In developing these new coverages, most life companies seek considerable advice before making final decisions. A large company usually has enough specialists to explore all aspects relating to a new product. A smaller company generally will turn to consultants or to other companies for counsel.

Consultation Valuable

If the product is a whole new line, even the largest companies generally have no one with the experience necessary to evaluate all its possibilities. In these cases they generally hire a technician who is knowledgeable on the subject. Before a final decision is reached, it is quite usual to ask the reinsurer for an opinion. In doing business with so many companies a reinsurer usually has developed considerable experience with the new product and quite likely may already be accepting such business.

Some companies spend much time with their reinsurer in these preliminary stages, reviewing new policies with the actuaries, discussing administrative procedures and even inquiring concerning trained personnel to start the venture.

Expenses of administration in the life companies are having an even greater influence on profit margins. The reinsurer is continually placed in an advisory position, ranging from establishment of a new company to the type of electronic equipment which would be most suitable.

Other Services

When it comes to forms and procedures, it is natural for a reinsurance department to suggest that the ceding company take a look at the procedures in use by their direct writing department. A reinsurance company takes the approach that one system cannot best suit all needs, and therefore arranges for visits to a company of similar size. It may also develop an extensive file on the subject to be available for reference. One company not only arranges visits and keeps voluminous files of forms and procedures, but also gives seminars in work simplification.

The rapid growth of the life business has outpaced the development of experienced executives required to head new companies and departments. A reinsurer is unique in that it has developed contacts with almost all life companies on the continent, and therefore has knowledge as to those persons who wish to change positions or those who can fill certain highly specialized posts. Companies searching for executives often find their request is timed with an executive change within another company. This can work to the advantage of all parties.

To cover the many other services, and unusual and intriguing situations in which a reinsurance company or department may become involved could easily require an article of book size. No two situations are identical, and flexibility to adapt itself to the problems of a particular ceding company is paramount with a reinsurer. Problems of new companies, small companies and the giants naturally differ greatly, but even so, many of these executives need someone outside of their company to whom they can turn for understanding and sympathy. Being so closely involved with many of these problems is what makes the reinsurer truly a strong support in time of need.

Jumbo Group Parleys' Failure Stirs Keen Interest In NALU's Next Move

(CONTINUED FROM PAGE 1)

officially calling off further efforts to negotiate with the companies.

Mr. Fluegelman announced that he the other members of the NALU subcommittee dealing specifically with the jumbo problem had "regretfully been forced to the conclusion that it would probably be both unrealistic and useless for NALU to keep trying to find a reasonable, equitable and generally effective solution to the problem of excessive amounts of group term life insurance through the medium of state legislation."

'State' Seen As Significant

The use of the word "state" in the foregoing sentence is regarded as significant.

However, beyond saying that he hopes to hold a meeting of full group committee about the middle of January, Mr. Fluegelman would not elaborate on the official NALU statement.

Undoubtedly the real fireworks will come at the NALU midyear meeting at Louisville, March 20-24, where the group committee's proposals will come up for action.

Jumbo group has long been an explosive subject at NALU meetings, but the continuing negotiations with the companies' committee have served to restrain NALU leaders who were all for giving up on the companies and taking more direct action. Outspoken critics of the companies have accused them of dragging their feet.

Now the situation will be entirely changed. No longer will there be the question of whether to continue negotiating with the companies or not. That course has been given up after having been followed as far and as long as either party could reasonably expect it to be.

Faces Important Choice

NALU will find itself facing squarely and at once the important question of whether it wants to carry the jumbo group fight to the federal taxing authorities. It will have to consider whether the goal to be achieved is worth the unintended but nevertheless inescapable side effects.

Among these might be the loss of the tax shelter for all group insurance —and perhaps others even less palatable. Obviously it will be highly desirable for the group committee to consider all these possibilities and have the best available answers for them if it intends to recommend control of jumbo group by changes in the federal tax laws.

Might Warn Policyholders.

A less drastic alternative might be a continuing campaign to keep policyholders aware of the deficiencies and impermanence of their group term life insurance, so that when these drawbacks eventually come home to roost the life insurance business and the agents can't justly be blamed for not having given warning of them while there was still time.

A further development of this approach might be to ask the companies —group and non-group—to issue an individual policy that would have all the features of an ordinary policy except that its death benefit would be paid by the group policy so long as enough group was in force to take care of the amount for which the individual policy was issued.

The premium rate on this "group supplement" policy would be adjusted to allow for the fact that its death benefit would be paid by the group policy, but it would have accumulated all the non-forfeiture benefits and reserves of an individual policy, so that when and if the policyholder lost his group coverage he could convert his individual policy at a rate that would be no higher than if he had been carrying the individual policy on the usual basis right along.

This sort of policy would take the agent out of the usually distasteful position of criticizing something without having a remedy for it. In fact, it seems quite probable that without something to sell, few agents would bother to do any significant amount of propagandizing against jumbo group.

Expect Heavy Opposition

If the effort is made to take away the present tax shelter from jumbo group, the heaviest kind of opposition can be expected from corporation executives and others who benefit by it. A $100,000 a year executive enjoys a tremendous tax advantage if he has group coverage of, say, four times his compensation. The difference between his tax saving and that of a $5,000 a year man is also striking.

Let's say Mr. A earns $5,000 a year, is 25 years old and has group coverage equal to two years' salary. At basic group rates this costs the corporation $32.40 a year. His top federal income tax bracket is 22%, so it would take a before-tax increase in pay of $41.54 to enable him to pay for the group coverage himself and still be as well off as he is under the present tax law.

Mr. B, 45 years old, earning $50,000 a year, has group insurance for four times his salary. At basic group rates it costs the employer $1,896 a year. Mr. B's top tax bracket is 59%, so it would require a $4,624 increase in his before-tax compensation to permit him to pay the group premium himself and

still be no worse off than at present.

Mr. C, the $100,000 a year executive, is age 60 and like Mr. B, has four times salary as group coverage. This costs the corporation $11,712 a year. Mr. C is in a 75% top bracket, so it would need a before-tax salary raise of $46,848 to enable him to pay the group premium himself and still be as well off as he is under today's tax laws.

Individual Would Cost More

The foregoing examples all assume that the employing corporation would set up some sort of trusteed group plan to replace the present group plan, and then raise the group certificate holders' salaries enough so they could pay their own group premiums and the added tax due to the salary increase.

Of course, if no such group were set up and the former group participants had to buy individual policies the cost would presumably be somewhat higher and the before-tax pay increase that would be needed would be correspondingly larger.

It is understood, incidentally, that while in the foregoing examples the basic group rates are given according to ages, a corporation uses average rates rather than individual rates. However, if a trusteed plan were substituted for a corporation plan, each participant would presumably be charged a premium rate corresponding to his age and amount of coverage.

Since a 60-year-old $100,000 a year executive with group coverage of four times salary would have to earn nearly half again as much as he does now to be able to offset the loss of his present group tax shelter, it should be obvious that corporations headed by such executives are going to do their utmost to prevent the present favorable tax treatment from being changed.

Might Act On Their Own

Possibly NALU's course with respect to going to the Internal Revenue Service or the ways and means committee for action on jumbo group may be influenced by the extent to which these framers of tax legislation appear disposed to act on their own.

Internal Revenue Service is known to be watching what New York state may do about prohibiting the use of group insurance to cover groups in which the coverage on a favored few bears no justifiable relationship to that on the rest of the group—a group that is often so small as to barely quality under state law as a group.

Might Be Needless Effort

Since the ways and means committee now is in the course of seeking a complete revision of the internal revenue code, it may well be that the committee and the IRS will be found so anxious to get more revenue through changing the group tax shelter that any blowing of the whistle by NALU would be in the category of needless noise.

The matter of ever-increasing per-life group amounts has long been regarded as a problem by NALU. It was the reason for the formation of the original group insurance committee, headed then, as now, by Mr. Fluegelman. A few years ago the topic pulled the largest attendance ever recorded at an agents' forum of NALU, when the spokesmen were Mr. Fluegelman and Edwin C. McDonald, then vice-president and now senior vice-president in charge of Metropolitan Life's group division.

Many conferences were held by the NALU group committee with the industry group committee representing Life Insurance Assn. and American Life Convention. After these conferences resulted in a stalemate, LIA and ALC appointed what was known as the "high level" group committee, headed by President Henry S. Beers of Aetna Life.

Conferences with this committee proceeded with much harmony and good will but eventually the two committees had to agree to disagree. However, the mutual respect of the two committees may be inferred from Mr. Fluegelman's saying that "on behalf of myself and the other members of my subcommittee (on jumbo limits) a sincere feeling of gratitude to Henry Beers for his fine efforts in trying to bring about a reasonable solution to the knotty problem of group amount limits at the Dec. 7 meeting. We believe he shares something of our disappointment over the lack of progress made at the time."

Metropolitan Gives Data On New Policy Forms, Agents' Pay

(CONTINUED FROM PAGE 1)

Metropolitan will have their premiums calculated on the basis of the policyholder's age at last birthday instead of the nearest birthday, as is the current industry practice.

In addition, policies with face amounts of more than $5,000 will be quantity discounted. For annual cases, the discount will be $1.50 for each $1,000 above $5,000.

The new ordinary policies will be issued in the Metropolitan series from $250 to $4,999 and in the Tower series from $5,000 up. All will have essentially the same policy provisions, any differences simply reflecting the adaptation of the Metropolitan series to the needs of the medium and small policy market.

Policies in the Metropolitan series will have these extensions: (1.) The double indemnity benefit has been increased—except for the family policy and certain risks—to triple indemnity, estended to age 70 instead of the present age 65; (2.) loss of eyesight and limbs benefit has been extended to include policies up to $4,999, and for the $3,000 family policy, to include all lives covered; and (3.) a new and more flexible family income benefit will be available with policies of $2,000 and more.

Most policies in the series also will carry the automatic waiver of premiums benefit.

Examples of provisions which may be added to most Tower series plans of $5,000 and more are:

—Family income benefit with the basic amount becoming payable at the death of the policyholder rather than at the end of the family income period.

—Guaranteed future insurability of the policyholder, allowing him to purchase additional insurance in the future regardless of his physical condition —available later in 1960.

—Accidental death benefit with provisions for double or triple indemnity, and with four or five times indemnity permitted if the policyholder has additional Metropolitan coverage.

—Level term benefit for 10 or 15 years, providing additional protection at low cost to meet a particular need—and which may be converted to a permanent plan at any time during the benefit period.

—A one-year term dividend option in life and endowment plans.

Provisions such as these, the company said, make it easy to tailor a life insurance program to meet just about any personal, family or business situation or need. The company is not tied to any one pattern, but can prescribe almost any pattern the conditions suggest.

In addition to the simplified policies, Metropolitan is also introducing a number of new features and new insurance plans.

All endowment plans maturing prior to age 69 will offer three new features, which provide that premiums may be continued after maturity to increase the value of the endowment, allowing the proceeds to be left with the company at interest and with dividends, or allow the use of additional funds to buy an annuity at less than the current rates.

Level Premium Term Plan

A level term premium policy is offered with uniform annual decreases for 10, 15, 20, and 30 years—a multiple-use plan for business or farm loans.

Another important feature of Metropolitan's new portfolio is that any of the life plans offered—whether whole life, limited payment life, endowment or term—can be written on a preferred basis with reduced premiums if the policy meets eligibility requirements.

The minimums for preferred-basis plans are $25,000 for males and $5,000 for females. Since females will be given credit for their lower mortality, many who formerly were classified as standard risks now will be considered preferred, with the benefit of lower permiums.

Also, a new substandard class has been added, which increases the maximum acceptable risk from 500% of standard to 750% of standard—thus making coverage available to many persons who formerly could not qualify.

Along with the new policies, a new compensation plan for agents has been developed, which Metropolitan regards as one of the best in the industry. It is designed to establish a good balance between sales, conservation and service and to encourage selling in the best interest of the policyholders and prospects under all conditions.

$80 Offer For Old Line Life Stock Is Opposed

(CONTINUED FROM PAGE 2)

operations of Old Line in Milwaukee.

"The Old Line Life management," Mr. Rhodes said, "has accused us previously in letters to stockholders of seeking control of the company in order to sell it down the river. This has never been our intention; but now, here they are, wanting to sell it down the river themselves to this Texas firm."

It is reported the Rhodes group refused the two vacancies on the board because "we didn't want any of the responsibility of figuring in the running of the firm until we had the authority to make the changes we deem are necessary."

The Rhodes group so far has been offering to buy stock, but it now appears there is a drift toward a formal proxy solicitation. Old Line Life will have its annual meeting Feb. 18 at which time seven of the 15 seats on the board will be up for election. No slate has been announced by the Rhodes faction.

Raises Advance Premium Discount

Beneficial Standard Life, effective Jan. 1, is increasing its discount for premiums paid in advance to 4%.

ALC President Sees 1960 As Good Year For Life Business

(CONTINUED FROM PAGE 1)

nation of services ever offered," said Mr. Higdon and added that office procedures are being streamlined and speeded up often with the aid of electronic equipment, all to provide better service to clients.

"More life insurance companies serve the public today than ever before and the number is constantly increasing. The new companies provide the usual life insurance services in their respective communities and help make sure that all areas are served by the industry. This more than thorough coverage provides added stimulus to the development of our industry and the maintenance of quality service to the public." Also life insurance companies have an opportunity during 1960 to communicate to their policyowners the unusual benefits and services in their policies already in force.

"We all need to be reminded of the unique advantages of our policy settlement options and other policy provisions. It is also well to be reminded of the value of having the company and field men help the policyholder to review his distribution procedures in the light of changing family circumstances, as well as maintaining his program of estate building until it is completed."

The Inevitable Result

This will inevitably result in an increasing acceptance of level premium forms of life insurance, accumulating greater cash values which serve as a foundation to provide minimum retirement benefits, making life insurance a more popular reservoir for savings. The increased demand for money and higher interest returns have made it possible for companies to invest all available funds at better returns than for many years, all to the advantage of policyowners. Indications are that this situation will continue during the year ahead.

Definite progress has been made by the life insurance industry in awakening the public to an awareness of the dangers of inflation, Mr. Higdon continued. "Even with this trend toward improvement, the danger of increased inflation requires watchfulness on the part of all interested in our economic future.

"This being an election year, it is to be expected that proposals to increase social security benefits will be submitted to the Congress. This is the historical pattern. It is important that increase in the benefits, whether old age income or new benefits providing hospitalization, be kept within limits which will not threaten the social security system. This could occur if benefits adopted result in substantially heavier drains on the Treasury than estimated, or if increased taxes required to finance increased benefits prove to be too great a burden on employe and employer, as well as the individual tax payer.

"We can have confidence that the public, if properly informed, will influence the Congress to keep the social security benefits at a reasonable figure. We in the life insurance industry have the obligation to disseminate information on this subject because of our specialized knowledge."

Mr. Higdon suggested that the insurance industry make use of every available means to inform the public of the services now provided.